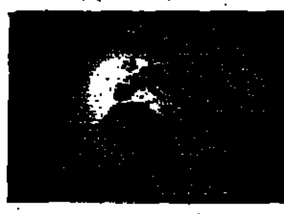
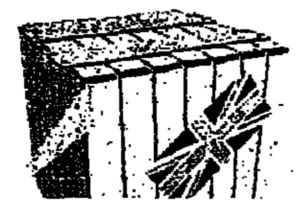
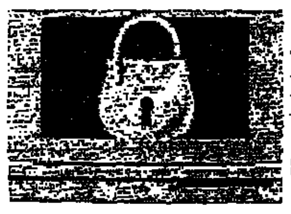


Bigger and better
Setting a pattern for world trade



A good thing?
The dangers of a payment surplus
Samuel Brittan, Page 10



Privacy protected
Where hackers meet their match
Page 7

Consuming issue
How green is the world's shopper?
Page 8

FINANCIAL TIMES

Europe's Business Newspaper THURSDAY JANUARY 5 1995 D8523A

Chinese boycott pirate products to heal US trade rift

China has stepped up its efforts to ease a trade rift with the US over copyright infringements by announcing a national boycott on pirate products. It said it planned to toughen its law on protecting intellectual property rights.

Following raids on factories violating domestic copyrights, Beijing has mounted a public relations initiative to avert trade sanctions threatened by Washington against $2.8bn in Chinese exports. The US had said it would impose punitive tariffs on certain Chinese exports from February 4 unless Beijing strengthened copyright enforcement. Page 12; Rate rise planned, Page 4; Editorial Comment, Page 11

Viacom close to cable TV sell-off: Viacom, the US entertainment and media group, plans to make further acquisitions with part of the $2bn or more it expects to raise from selling its US cable television systems. Page 13

Trade body launched: A total of 81 countries representing over 90 per cent of international trade have become founder members of the World Trade Organisation, according to an official count. Dreams behind the scenes, Page 11

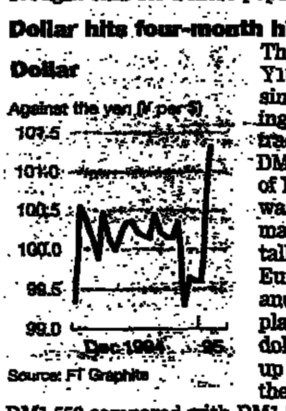
EU ruling costs $24bn: Water distribution companies in the European Union would have to spend up to Ecu20bn ($24bn) on new pipes to meet higher water quality standards proposed in a draft directive passed by the Commission. Page 12

Shares scheme: About one-third of Air France's employees have signed up to an innovative scheme in which their salaries will be reduced in return for shares in the lossmaking, state-owned airline, the company said. Page 13

Record profits: Chrysler, the smallest but most profitable of the big three US carmakers, earned record pre-tax profits of $1.06bn last year, said Mr Bob Eaton, chairman and chief executive. Page 13; Ford plans 20% rise in investment, Page 13; Saab misses sales target, Page 14

Rao presses for economic reform: Mr P.V. Narasimha Rao, India's prime minister, committed his government to the pursuit of economic reform, despite recent electoral reverses which have brought calls for a more populist approach. Page 4

Dollar hits four-month high against yen



Source: FT Graphite

The dollar stayed above Y101 for the first time since August after surging in overnight Asian trade. It also reached DM1.5620 after the close of European trading, but was restrained from making further gains by talk of dollar sales from a European central bank and a big corporate player. In London, the dollar closed at Y101.315, up from Y100.34. Against the D-Mark, it finished at DM1.559 compared with DM1.5539. Page 24

Balladur edges towards candidacy: The French presidential election campaign moved up a gear as prime minister Mr Edouard Balladur began to outline his possible campaign themes and former education minister Mr Lionel Jospin became the first socialist to declare his candidacy. Page 2

Italian crisis talks stalled: Talks aimed at resolving Italy's political crisis were suspended because President Oscar Luigi Scalfaro, 76, has flu.

SCA, Sweden's second largest forestry group, is getting close to finalising an agreement to buy a substantial stake in the German pulp and paper company, PWA. Page 18; Swedish unions warn on jobs, Page 2

Ceasefire hope: A four-day-old street war between rival clans that killed at least 23 and wounded more than 300 in the Somali capital of Mogadishu eased amid talks to arrange a ceasefire.

NEC, the Japanese integrated electronics manufacturer, is considering setting up a joint venture company to manufacture personal computers in China for the Chinese market. Page 4

Vital Forsikring shares suspended: Vital Forsikring, the Norwegian life insurance and pension group, asked for trading in its shares on the Oslo bourse to be suspended following a steep rise in their price. Page 14

Sound decision: French television viewers will not be deprived of foreign soap operas after dubbing artists voted to end a three-month strike over royalty payments, just in time to prevent TV channels running out of film stocks.

■ STOCK MARKET INDICES		
FT-SE 100:	3,061.6	(-14.1)
Yield	4.22	
FT-SE Eurotrack 100	1,337.95	(+5.39)
FT-SE-A All-Share	1,514.8	(-0.4%)
Nikkei	19,684.04	(-39.02)
New York lunchtime:		
Dow Jones Ind Ave	3,833.88	(-5.39)
S&P Composite	457.80	(-1.31)
■ US LUNCHTIME RATES		
Federal Funds	6¼%	
3-mo Treas Bills: Yld	5.694%	
Long Bond	95½	
Yield	7.870%	
■ LONDON MONEY		
3-mo Interbank	6⅝%	(same)
Liffe long gilt future:	Mar 100¾	(Mar100⅞)
■ NORTH SEA OIL (Argus)		
Brent 15-day (Feb)	$16.25	(16.23)
■ GOLD		
New York Comex (Feb)	$375.3	(380.9)
London	$378.10	(380.3)

■ STERLING		
New York lunchtime:		
$	1.563	
London:		
$	1.5625	(1.5628)
DM	2.4357	(2.4284)
FFr	8.3985	(8.3728)
SFr	2.0529	(2.0511)
Y	158.29	(156.806)
£ Index	80.0	(79.8)
■ DOLLAR		
New York lunchtime:		
DM	1.55775	
FFr	5.3895	
SFr	1.31025	
Y	101.33	
London:		
DM	1.559	(1.5539)
FFr	5.3756	(5.3578)
SFr	1.314	(1.3125)
Y	101.315	(100.34)
$ Index	63.5	(63.3)
Tokyo close Y 101.16		

Austria	Sch35	Greece	Dr400	Malta	Lm0.60	Qatar	QR13.00
Bahrain	Dinr1.250	Hong Kong	HK$16	Morocco	MDh15	S.Arabia	SR11
Belgium	BFr70	Hungary	Ft185	Neth	Fl 4.25	Singapore	S$4.30
Bulgaria	Lw100.00	Iceland	IKr220	Nigeria	Naira80	Slovak Rp	KSL60
Cyprus	C£1.10	India	Rs75	Norway	NKr18.00	S. Africa	R12.00
Czech Rp	CZK65	Israel	Shk7.90	Oman	OR1.50	Spain	Pta225
Denmark	DKr17	Italy	L3000	Pakistan	Rs40	Sweden	SKr17
Egypt	E£5.00	Japan	Y500	Philippines	Pso50	Switz	SFr3.60
Estonia	EKr 20	Jordan	JD1.50	Poland	Zl 42,000	Syria	S£50.00
Finland	FM15	Kuwait	Fils.625	Portugal (mainland)		Tunisia	Din1.500
France	FFr10.50	Lebanon	US$1.50		Es230	Turkey	L40,000
Germany	DM3.80	Lux	LFr70			UAE	Dh12.00

Yeltsin promises to stop bombing Chechen capital

By John Thornhill in Moscow

Mr Boris Yeltsin, the Russian president, yesterday promised to stop the bombing of the Chechen capital Grozny, as dissension spread among the army's top ranks and international concern about the heavy toll of civilian casualties grew louder.

The president's press office said Mr Yeltsin had taken the decision after listening to reports from government officials and parliamentary chiefs, the appeals of ordinary people and foreign leaders. Bombing would cease from midnight on Wednesday, the statement said.

But it was not clear last night whether Mr Yeltsin had called a halt to all the military operations, nor whether the move would be temporary. Mr Yeltsin made a similar promise to halt the bombing eight days ago.

Heavy casualties were again reported yesterday in Grozny. A correspondent for Britain's Independent Television News reported that Russian warplanes had dropped cluster bombs on villages outside Grozny, killing many civilians. Russian officials reported that Chechen fighters were now fleeing Grozny, but this claim was contradicted by reporters in the city.

Reports from the neighbouring Ingushetia region suggested that Russian reinforcements had been flown in and that preparations were being made for a further assault on Grozny. Mr Nikolai Yegorov, the deputy prime minister who is co-ordinating the action in Chechnya, said Grozny would fall today.

General Boris Gromov, the deputy defence minister, who has been a sharp critic of the use of force in Chechnya, again appealed for a ceasefire and negotiations to stop the "flow of blood of Russian citizens". Gen Alexander Lebed, commander of the Russian 14th army in Moldova, also attacked the defence ministry and the politicians: "These politicians know full well that neither they nor their nearest and dearest will ever come under fire themselves."

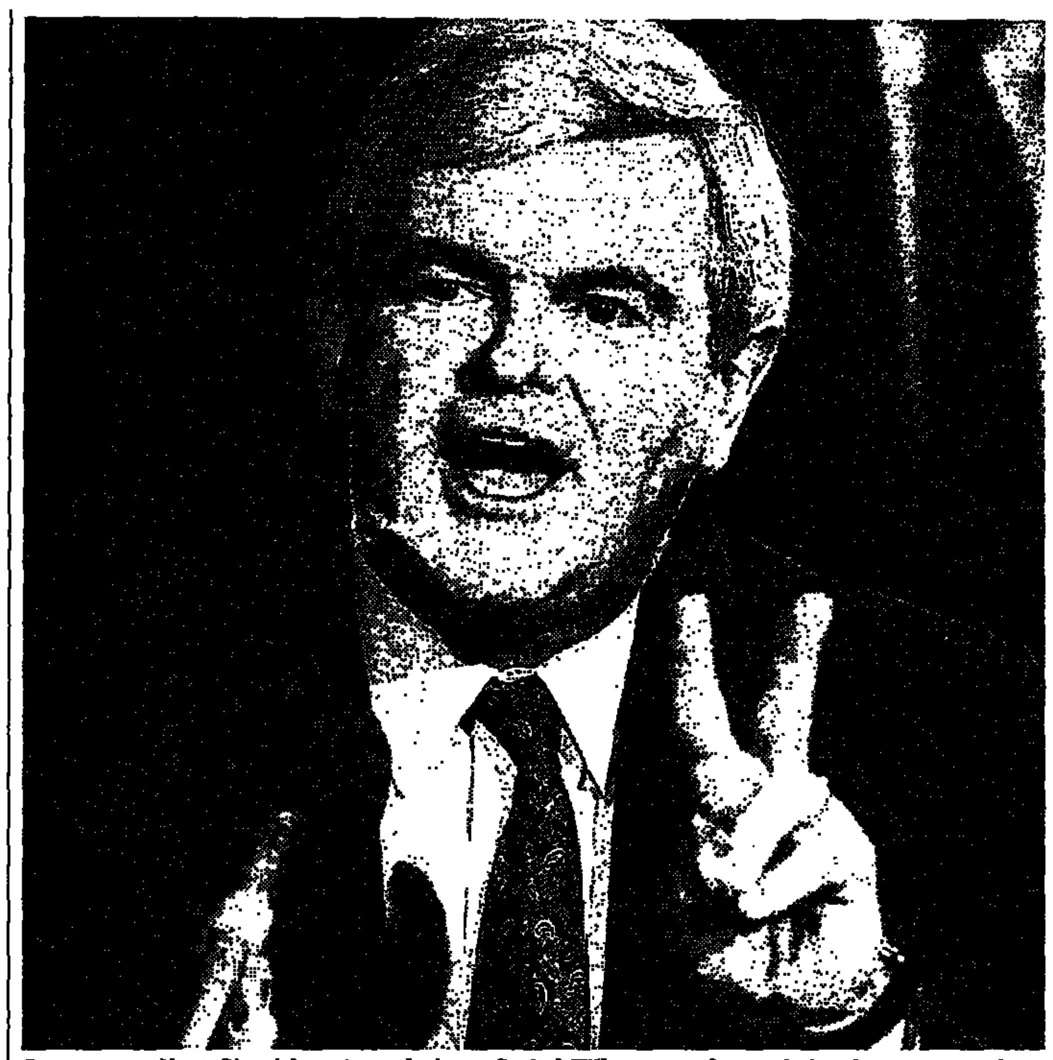
Both generals' comments were carried on the official Itar-Tass newswire, which has been wary of carrying overt criticism of the events in recent days.

Other Russian army officers have called for a lull in the fighting, expressing disgust that the corpses of Russian soldiers had been allowed to lie in the streets of Grozny for several days.

Mr Grigory Yavlinsky, the leader of the liberal Yabloko parliamentary group, said Mr Yeltsin and "his ministers in uniform" had lost control of the situation in Chechnya. "There is only one way out – in the name of the future of our country, he should resign," he said.

Foreign politicians also raised concerns about the level of force being used in Chechnya. The permanent council of the Organisation for Security and Co-operation in Europe, of which Russia

Continued on Page 12
Russia pays high price, Page 2



Congressman Newt Gingrich gestures during a Capitol Hill news conference before he was sworn in as the first Republican Speaker in the House of Representatives in 40 years 'Amazing' day, Page 12 Picture AP

Spain lifts rates to quell market anxiety

By Tom Burns in Madrid

The Bank of Spain yesterday raised its benchmark intervention rate to 8 per cent from 7.35 per cent in a pre-emptive strike to quell market anxiety about the domestic economy.

The decision followed market instability last week, fuelled by political tensions, which severely weakened the peseta and brought the Madrid bourse to its lowest level since the currency crisis of 1992.

Initial reaction to the rate rise appeared favourable as the equity and debt markets steadied and the peseta gained slightly on the D-Mark.

The timing surprised analysts, who had not expected any rise until late in the first quarter.

The bank said it had raised its intervention rate because although the rate of inflation had been declining slowly there could be resistance to a continuing fall in the near future. The main commercial banks also increased their rates to prime borrowers in line with the intervention rise.

The decision will not be welcomed by the government, which could be forced into early spending cuts to compensate for increased debt servicing costs. It will also be concerned that the rise may slow an economic recovery which it hopes will offset growing controversy over a series of political scandals.

The government was rocked just before Christmas by the arrest of three former security chiefs who are accused of organising an undercover war against ETA, the Basque separatist group, and by a separate legal probe into alleged widespread misuse of reserve funds by the interior ministry.

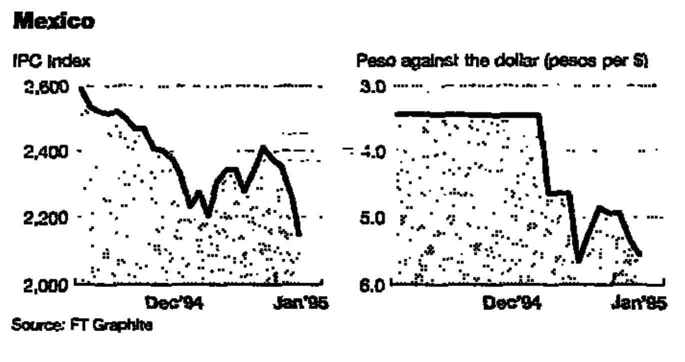
The scandal took a new twist yesterday following allegations by a former interior minister, who has been named in connection with the death squad directed against ETA, that the judge investigating the case was politically motivated. Lawyers in Madrid said the minister, Mr José Barrionuevo, risked being indicted on charges of contempt of court.

It said the decision aimed to

Continued on Page 12

Mexico's measures fail to calm markets

By Ted Bardacke and Stephen Fidler in Mexico City



Source: FT Graphite

The two-week crisis in Mexico's financial markets refused to abate yesterday as investors reacted negatively to President Ernesto Zedillo's emergency economic plan announced late on Tuesday.

The plan, which involves cuts in public spending, limits on wage rises, a flexible exchange rate, privatisation revenue of $1.5bn and a reduction in the country's swollen current account deficit, was criticised for lacking specifics and for being too optimistic.

At mid-session the main IPC index of the Mexican stock market had fallen 2.39 per cent, after being down nearly 6 per cent in early trading. Combined with late dealings on Tuesday, the index fell more than 7.5 per cent in the five hours of trading immediately after Mr Zedillo's announcement.

The peso also fell against the dollar, trading at 5.475 to the US currency, down from Tuesday's close of 5.325. A senior government official said: "There has been a huge overreaction in the exchange rate."

Mr Guillermo Ortiz, finance minister, was scheduled to fly to New York yesterday where he is due to meet 250 prominent investors and commercial bankers. He will meet the chairmen of the main US commercial banks before going to Washington to consult with US government officials.

Investor sentiment has shifted markedly against the Mexican government as losses by foreign investors have totalled more than $10bn. Mr Ortiz's predecessor, Mr Jaime Serra Puche, was given a hostile reception by investors in New York two weeks ago at a meeting to explain last month's devaluation of the peso.

The government has lined up an $18bn credit line from foreign governments and banks to reassure investors, particularly those holding *tesobonos*, short-term dollar denominated government debt, that it will be able to meet foreign currency obligations next year and to ensure continuing convertibility of the peso.

Local interest rates in peso debt rose for the third week, with 28-day government securities paying 33 per cent, 2 percentage points up from last week.

AP-DJ adds from Paris: The Organisation for Economic Co-operation and Development yesterday hailed the Mexican government plan, describing it as "comprehensive and coherent".

Mr Jean-Claude Paye, OECD secretary-general, said the emergency programme "should help restore the confidence of financial markets as it is backed up by the many decisive improvements that Mexico has made over the last decade or so".

Richard Lapper writes: Events in Mexico triggered a further sell off in the emerging markets, badly hitting the $131bn market for Brady bonds, paper issued in exchange for distressed government bank loans. By early afternoon in New York the prices of the four main main classes of Latin American Brady bonds fell by an average of 2½ per cent, bringing the cumulative decline since December 19, when Mexico first devalued, to about 12½ per cent.

Background, analysis, Page 3
Editorial comment, Page 11
World stocks, Page 28

Banks press fund managers to reveal customer identities

By John Gapper, Banking Editor, in London

Fund management companies in the City of London, which invest money on behalf of institutions and rich individuals, face pressure from banks and the Bank of England to disclose their customers' identities.

The banks fear they may be running unacceptable risks by selling complex investments, such as financial derivatives, to unidentified customers.

The Bank of England has warned fund managers that it wants them either to tell banks the identity of customers, such as pension funds, or to shoulder the risk that the customers will default on debts.

Financial derivatives and other money market products including swaps, options and foreign currency forward contracts are increasingly being sold by banks to funds because they can offer high investment returns.

Fund managers are resisting pressure to identify customers, arguing that full disclosure could undermine London's growing strength as a global centre for asset management. UK pension funds alone are worth £450bn ($700bn).

Fund managers argue that private clients would be reluctant to be identified, and many pension funds do not want other participants in the market to observe their strategy.

Banks are also worried that some investors, such as public sector bodies, may be breaking the law by buying derivatives. The risks were shown in 1989 when the courts nullified interest rate swap contracts entered into by local authorities.

The British Bankers Association has formed a working group of banks and fund managers to negotiate a solution. But fund managers have so far refused to agree to disclosure or to put capital at risk by guaranteeing transactions.

The Bank of England, which could prevent banks from entering contracts if no deal is reached, has said it wants to impose disclosure only if other countries represented in the Basle Committee of international supervisors from leading industrial nations also do so.

However, one participant in talks said yesterday that he believed the bank might impose disclosure unilaterally by amending the London code of conduct for such transactions. "I think they are beginning to lose patience," he said.

CONTENTS

Balladur edges towards poll candidacy

By Andrew Jack in Paris

The French presidential election campaign moved up a gear yesterday as Mr Edouard Balladur, the prime minister, began to outline his possible campaign themes, and Mr Lionel Jospin, a former education minister, became the first socialist to declare his candidacy in the race.

In an interview in today's Paris Match magazine, Mr Balladur, who has yet to declare his candidature for the Elysée Palace, made reference to national cohesion and individual liberty while calling for the restoration of "hope and optimism" in the nation.

Meanwhile, Mr Jospin said yesterday he was ready to be a candidate to unite the left and the ecologists on behalf of the Socialist Party following the decision in December by Mr Jacques Delors, outgoing president of the EU, not to run.

France-Ouest, one of the country's biggest-selling daily newspapers, reported yesterday that Mr Phillip de Villiers, a nationalist Euro-sceptic, was also set to declare his candidacy next Sunday evening on television.

Mr José Rossi, minister of industry and secretary of the Republican party, yesterday became the second minister to express his support for Mr Balladur after endorsement from Mr Dominique Perben, responsible for overseas development, earlier this week.

Mr Nicholas Sarkozy, the budget minister, who has also indicated his support for Mr Balladur, said yesterday that the prime minister would announce his decision on his possible candidature later this month.

Ministers have until now respected Mr Balladur's call to politicians to keep quiet about the election and concentrate on their current jobs until the start of this year. His request was scuppered in early November when Mr Jacques Chirac, the mayor of Paris and head of the Gaullist RPR party, announced he was running.

Mr Balladur, also a member of the RPR party, remains firmly ahead of potential socialist party candidates and is considerably higher in the opinion polls than Mr Chirac as the next president.

In his Paris Match interview, Mr Balladur said that social reforms took time to have an effect and could not be achieved as if by a miracle simply with a change of president, an apparent reference to recent outspoken criticism of his policies by Mr Chirac, who has recently adopted a more radical stance.

Mr Balladur stressed the importance of educational reform: at primary level to ensure children could read, write and count; and at secondary level to give school-leavers either a general diploma or professional training sufficient to provide them with jobs.

He stressed the importance of the family in ensuring the "social and moral cohesion of society", and stressed the need for respect for the law. He also talked about urban problems and attention to unemployment and youth.

The first round of the French presidential elections is scheduled for late April, though it could still be brought forward if Mr Mitterrand, who is undergoing treatment for cancer, decides to step down before his second seven-year term officially ends in May. However, in his final address to the nation on French TV recently, he gave no indication he was likely to resign before completing his term.

Brussels discord on new TV rules

By Emma Tucker in Brussels

European commissioners yesterday failed to agree on new proposals aimed at tightening restrictions on European broadcasters after Sir Leon Brittan, the UK commissioner, demanded a postponement of the decision.

The move reflected his and other commissioners' strong misgivings over the plans which would force broadcasters to ensure that at least 50 per cent of programmes screened were European-made, or to invest a certain proportion of their budgets in European productions.

"Sir Leon doesn't believe that the Commission is sufficiently equipped with the analytical information it needs to take a decent decision in this area," said a Commission official.

The demand for a week-long delay now puts the proposals – revisions to the 1989 Television without Frontiers directive – in jeopardy. The current Commission remains in place until the end of the week after which there is a gap before the new Commission assumes office at the end of the month.

Yesterday's setback was the latest in a string of delays for the plans put forward at the end of last year by outgoing audiovisual commissioner Mr João de Deus Pinheiro.

His original plans to drastically tighten EU laws on broadcasting and to extend them to new electronic screen-based services exposed an ideological faultline within the Commission.

On one side its more liberal-minded members such as Sir Leon, Mr Martin Bangemann, the industry commissioner, and Mr Raniero Vanni D'Archirafi, the single market commissioner, argued that the moves could damage the industry and adversely affect the development of new screen-based services such as teleshopping which they said needed a separate set of rules.

They were pitted against Mr de Deus Pinheiro who had the strong support of the French government and French producers. They argued – as they did during the trade negotiations of the Uruguay Round – that protection of Europe's audiovisual industry is necessary to preserve the continent's culture.

The French government was anxious to tighten the 50 per cent quotas, to narrow the definition of what counts as a European-made programme and to allow individual member states to impose language quotas on new electronic services such as video-on-demand.

The existing directive requires 51 per cent of material shown by European channels to be of European origin and 10 per cent to be set aside for independent European producers.

THE FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850. Fax ++49 69 5964481. Telex 416193. Represented in Frankfurt by J. Walter Brand, Wilhelm J. Brüssel, Colin A. Kennard as Geschäftsführer and in London by David C.M. Bell and Alan C. Miller. Printer: DVM Druck-Vertrieb und Marketing GmbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu-Isenburg (owned by Hürriyet International). ISSN: ISSN 0174-7363. Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL, UK. Shareholders of the Financial Times (Europe) GmbH are: The Financial Times (Europe) Ltd, London and F.T. (Germany Advertising) Ltd, London. Shareholder of the above mentioned two companies is: The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL. The Company is incorporated under the laws of England and Wales. Chairman: D.C.M. Bell.
FRANCE: Publishing Director: D. Good, 168 Rue de Rivoli, F-75044 Paris Cedex 01. Telephone (01) 4297-0621. Fax (01) 4297-0629. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.
DENMARK: Financial Times (Scandinavia) Ltd, Vimmelskaftet 42A, DK-1161 CopenhagenK. Telephone 33 13 44 41, Fax 33 93 53 35.

Emma Tucker watches Euro-MPs exercise their new powers of cross-examination

EU's commissioners get the third degree

This was the moment the European parliament had been waiting for: never in its history had it had the chance to cross-examine future European commissioners on their interests, their intentions and – crucially – their attitudes towards the parliament.

Yesterday, in three packed rooms inside the parliament's Brussels headquarters, Messrs Manuel Oreja, Manuel Marin, the sitting Spanish commissioners, and Yves Thibault de Silguy, the new French commissioner, came before a hungry array of MEPs, eager to exercise new powers granted under the Maastricht treaty.

They cannot veto the appointments of individual commissioners but they can sack the lot if they don't like what they hear and expectations for a plucky debate were yesterday running high.

But like other arenas in Brussels the sparky questions, defensive answers, and general rumpus expected of a committee grilling were deadened by the leaden hand of translation.

By the time each MEP's carefully phrased question had been translated into all 10 other languages and the response laboriously relayed back through headphones, it was hard to remember the original point. Furthermore, Mr Oreja – talking about his role as overseer of institutional changes in Europe - insisted on taking three questions at a time.

Mr Yves Thibault de Silguy, French commissioner due to assume the economics portfolio – who himself suppressed a yawn in proceedings – did his best to enthuse over plans to introduce a single currency across the EU. "I am certain this essential task shall be completed on schedule. From the technical standpoint, nothing should stand in the way of implementing single monetary policy as of 1997," he said.

Mr Alan Donnelly, UK Labour MEP for Tyne and Wear, was unimpressed. "Civil servant answers," was his verdict. "This is not the man to fire people up for the final stages of monetary union."

Any notion of reducing Europe's working languages was squashed by Mr Oreja, who moved swiftly to reassure Greek MEP Mr Dimitros Tsatsos, a Socialist, that his language would not be marginalised after 1996 when some have suggested that the present cumbersome structure should be honed.

Doing more to win the hearts and minds of the people was strong on the MEPs' agendas. But little was forthcoming from the men and women whose task it is to draw up future legislation.

"I am very struck to see that when we talk to our citizens of Europe nowadays, they ask what is the point of Europe – look at Bosnia, look at unemployment – they say. We do have a credibility problem," said Mr de Silguy.

There was also a hint of nervousness over the parliament's ever more assertive approach. Asked what he would do if the parliament disapproved of one of his policies, Mr de Silguy responded: "I hope never to face such a situation, for I shall strive to work in close co-operation with the European parliament, to lend it a ready ear and keep it as thoroughly informed as possible."

On yesterday's performance, it seems unlikely that Mr Jacques Santer, the Commission president, will see his team thrown out by a disenchanted parliament. Hearings continue until the middle of next week.

"You'll be sick of them by then," commented a smug Commission official.


Marcelino Oreja, new EU commissioner for Institutional Affairs, Culture and Media, at a confirmation hearing yesterday Reuter

Russia pays high price for Chechen crisis

By John Thornhill in Moscow

The Chechen crisis, which is racking Russia's body politic, also threatens to wreck the country's chances of stabilising the economy this year.

The costs of the operation – and its aftermath – could undermine much of the government's good work in 1994 when the monthly rate of inflation was brought down to 4 per cent in August; a tight budget was approved for this year; and the economy was within striking distance of a serious stabilisation programme.

"Clearly no one knows how much the final bill for Chechnya will be, but whatever it is it will be big and will rip a hole in the 1995 budget," says one western economist in Moscow. Mr Yevgeny Yasin, the economics minister, estimates it will cost Rbs3,000bn (£545m) just to restore the Chechen economy. This figure does not include the military costs of the operation nor the army's certain demands for an increased budget following its conclusion. An article in today's Sevodnya newspaper cites a Kremlin source's estimate of the likely costs as being five times Mr Yasin's narrower figure.


Yeltsin: questions have been raised over his future

Quite apart from rebuilding a city of 400,000 people, Russia will have to recreate the region's economy. The ministry of Economics estimated it would cost Rbs720bn to rebuild Chechnya's oil industry which used to produce 4m tonnes of crude a year. The ministry said only 100 of the region's 1,500 wells were operational and 60 per cent of its refining capacity. Since that estimate, fires have raged in at least one of Chechnya's three refineries.

Mr Alexander Shokhin, the reformist deputy who resigned as deputy prime minister in November, says it is inevitable that the government will have to re-write much of the budget. He believes it will have to borrow from the central bank to fund its commitments,thereby fuelling inflation which is already pushing upwards at a worrying rate. Following an overly loose credit policy in the summer and the surge of inflationary expectations after the rouble crash in October, inflation rose to 16.4 per cent in December. It will be difficult to tame in the immediate future.

The other big worry for Russia's economic policy-makers is that they may no longer be able to count on western financial assistance, which was expected to plug one-third of the budget deficit. A few weeks ago it seemed a matter of when rather than whether the International Monetary Fund would agree to its biggest ever financial assistance package – pledging up to $13bn (£8.3bn) in support.

But the climate both in Washington and Moscow has swung markedly in the past few weeks, raising grave doubts about whether a deal can be quickly struck. In mid-December, Mr Michel Camdessus, the head of the IMF, wrote a personal letter to Mr Victor Chernomyrdin, the Russian prime minister, telling him firmly that it would be impossible for the IMF to recommend a deal before oil export quotas had been liberalised. The issue, still the subject of fierce debate within Russia, is unlikely to be resolved soon – at least to the IMF's satisfaction.

An additional worry is that it is becoming increasingly difficult to discern who really pulls the levers of economic power in the Kremlin.

Mr Vladimir Polevanov, the head of the privatisation agency, has talked about the need to renationalise strategic assets. The previously hidden hand of Gen Alexander Korzhakov, the head of the presidential security apparatus, has also been revealed as an important force in recent weeks. Even the future of President Boris Yeltsin looks uncertain.

Polish health workers drop hunger strike

By Christopher Bobinski in Warsaw

Poland's health service workers yesterday called off a series of hunger strikes after reaching agreement with the coalition government on pay demands.

The deal promising health service pay increases of 6 per cent above inflation this year removes a significant source of tension for the government as it faces a political confrontation with President Lech Walesa. Originally, the government had been willing to promise that wages would rise by no more than 6 per cent over the projected 17 per cent inflation figure written into this year's budget.

Yesterday the Finance Ministry said that according to preliminary estimates, the cost of living rose by 29.7 per cent between the end of 1993 and the end of last year. The implication is that inflation will rise faster than the 17 per cent written into the budget.

However, the pay concession, which could turn out to be purely symbolic if the government manages to stick to its inflation targets in 1995, sees the Solidarity-led employees threatening new protests if planned talks on health service and insurance reforms prove unsatisfactory.

Meanwhile, Solidarity's regional leadership in Rzeszow in the south-east said it would follow President Lech Walesa's lead over the opposition's tax revolt. The decision came after Mr Walesa had attacked the government, for in his view, illegally seeking to impose higher rates, and announced he would refuse to pay them.

The tax protest comes as the government and the president are already deep in conflict over the appointment of a new defence minister.

Yesterday, Mr Waldemar Pawlak, the prime minister, formally asked Mr Walesa to accept Mr Longin Pastusiak for the vacant post, even though Mr Walesa is insisting that his own nominee, Mr Zbigniew Okonski, should get the job.

Mr Walesa and his aides have also sought to sow discord inside the coalition by suggesting that Mr Pawlak was responsible for the present crisis and that Mr Alexander Kwasniewski, head of the Left Democratic Alliance (SLD), the main coalition partner, would make a better prime minister.

Yesterday, Mr Pawlak, who heads the Peasant Party (PSL), refrained from opening a new front by asking Mr Andrzej Olechowski, the foreign minister whose resignation Mr Walesa has said he would not accept, to stay on in the post.

Greece to try again on telecoms sell-off

By Kerin Hope in Athens

Greece's stock market is sluggish and the trade unions are as adamantly opposed to privatisation as ever. But Mr Yannos Papantoniou, the irrepressibly optimistic economy minister, says he will make another attempt to float OTE, the state telecoms monopoly, this year.

After two failed bids to bring Greece's only profitable public utility to market, the OTE offering now has a decidedly shop-soiled look about it.

The third try is therefore likely to be a modest affair, focused on local punters rather than institutional investors abroad, whose lack of interest last November forced Mr Papantoniou to postpone the issue indefinitely.

The ruling Panhellenic Socialist Movement (Pasok) had agreed to the sale of 25 per cent of the company, divided into international and domestic tranches of 18 per cent and 7 per cent respectively.

The deal was a pared down version of the previous conservative government's ambitious 1993 scheme to sell 25 per cent of OTE, plus management rights, to an international telecoms operator and float another 14 per cent on the Athens bourse.

"What's being discussed now is selling 5-10 per cent of OTE on the Athens market and making some equity available abroad through an arrangement like an American depository receipt," says a local banker.

No date has been set for reviving the offering, but economy ministry officials say it will not be before June. Pricing will be a sensitive issue as the company is valued by independent analysts at around Dr1,000bn (£2.65bn), much less than OTE's assessment.

Nevertheless, local analysts forecast healthy profits growth for OTE, which this week raised domestic tariffs by an average 20 per cent. The company's 1994 earnings are projected at around Dr190bn on turnover of almost Dr500bn.

For CS First Boston and J. Henry Schroder Wagg, appointed joint global co-ordinators for the issue in 1993, a small-scale flotation would be a disappointing outcome to what had been billed as one of the European Union's largest international equity offerings.

On the other hand, pickings for international advisers have been slim since the Socialists froze Greece's privatisation programme on returning to power in 1993.

Though Pasok reversed that a few months later, the conservatives' plans for privately financed airports and highways and power stations constructed on a build-own-operate basis and an international telecoms operator investing heavily in OTE, have been drastically scaled back.

The Socialists are willing to permit only partial flotations of public corporations, with management control remaining in state hands.

While OTE was restructured last year ahead of the planned flotation, so that it can be run as a private sector company, its chairman is still Mr Petros Lambrou, most of whose managerial experience was acquired by serving as Pasok's treasurer. Because of opposition from OTE's powerful trade union, plans to appoint an international telecoms operator as a technical consultant are still on hold.

EUROPEAN NEWS DIGEST

West German orders decline

A drop in west German manufacturing orders in November showed that the country's continued recovery from recession remains uneven, despite the faster than expected economic growth experienced last year.

Orders eased by 0.3 per cent compared with October, although the year-on-year figure was nearly 10 per cent higher, the economics ministry said. The decline in October over September was also revised to 1.2 per cent from the provisional estimate of only 0.2 per cent. The main reason for the lower order level in November was a 1 per cent drop in demand from abroad. Domestic orders were unchanged. On a two-monthly comparison, however, total orders in October and November were 1 per cent higher than in August-September; foreign demand was 2.5 per cent higher; and domestic orders were up by 0.5 per cent. In September, new foreign orders showed a powerful advance of 12 per cent. Helped by rising world trade and German companies' enhanced competitiveness, exports grew by 9.3 per cent in October, with imports up by 10.6 per cent to produce a trade surplus of DM7bn ($4.4bn) after DM5.1bn in September. The surplus for the first 10 months was DM59bn, a rise of 20 per cent on the January-October level of 1993, the federal statistics office said. *Andrew Fisher, Frankfurt*

US row over Bosnia arms ban

The US State Department yesterday criticised plans by Mr Bob Dole, the Senate majority leader, to seek a unilateral lifting of the arms embargo against Bosnia. "It is just the wrong thing to do at this very important point in the crisis in Bosnia," said a state department spokesman. Fighting in the north-western enclave of Bihac yesterday marred an ambitious Bosnia-wide truce, UN officials said. Serb forces from Croatia fired three mortars into Bihac town, a "safe area" in the enclave. The assault came despite the Serbs' pledge on Monday to withdraw from Bosnia. The prospects for peace were also clouded by a statement from Mr Haris Silajdzic, prime minister of Bosnia, in which he appeared to qualify his government's acceptance of a contact group plan to divide Bosnia roughly in half. He said the proposed map "rewarded the aggressor" and his government would call for the lifting of the arms embargo unless the Serbs endorsed the plan by May. Envoys from the contact group will meet today in Bonn to discuss the peace process. *Laura Silber, Belgrade and agencies*

Swedish unions warn on jobs

Sweden's main blue-collar trade union federation, the LO, a key political ally of the Social Democratic administration, yesterday warned the government that its policy of tough tax increases and spending cuts could cause high long-term unemployment. The government, fearful of a split within Social Democratic ranks over how to tackle the budget deficit and spiralling state debt, is anxious to secure union support for SKr20bn ($2.7bn) in spending cuts promised in next week's budget. The LO has not rejected this target outright. But its latest report on the economy published yesterday stressed its belief that the government's strategy risked depressing growth and entrenching unemployment. Official figures published yesterday showed average total unemployment in Sweden in 1994 was at a record level of almost 14 per cent. The LO said it forecast gross national product growth in 1995 and 1996 of just 2.2 per cent and 2.5 per cent respectively – below government estimates – and predicted unemployment in 1996 would still stand at more than 11 per cent. *Hugh Carnegy, Stockholm*

France seeks Algiers assurances

The French government is to send a mission to Algeria within the next few days to seek guarantees for the safety of its nationals following the Christmas hijacking of an Air France airliner in Algiers by Islamic militants. Mr Alain Juppé (left), the foreign minister, said France had been told that precautions had been taken prior to the hijacking but that they had proved inadequate. The French government has already suspended passenger flights between France and Algeria following the hijacking and warnings of further attacks from Islamic militants. The militants claim that Paris is supporting the military-backed government in Algiers in the country's increasingly violent civil conflict. Mr Edouard Balladur, the French prime minister, yesterday rejected such claims. He told a cabinet meeting that "France supports the Algerian people and only them", describing France's stance as non-interventionist. Mr Balladur later held a separate meeting with several ministers to discuss Algerian policy. Germany said yesterday that it was in contact with other western governments about how to respond to a letter from Islamic militants threatening to kill more foreigners if western embassies are not shut. *John Ridding, Paris*

Swiss bank secrecy case opened

The Zurich public prosecutor is investigating the recent disclosure of the identity of a Swiss bank client. A Swiss newspaper revealed that Mr Karl-Heinz Kipp, a retired German billionaire, was the seller of a SFr450m ($339m) block of shares of Union Bank of Switzerland that helped the bank to win a proxy battle in November against dissident shareholders. Under Switzerland's strict bank secrecy laws, banks are not allowed to disclose a client's identity, except in response to formal criminal charges. A violation of bank secrecy is a criminal offence. This strictness is the main reason why many rich foreigners hide their savings in Swiss banks. Mr Christian Weber, the Zurich prosecutor, said the preservation of Switzerland's reputation as a safe haven was an important factor in proceeding with the investigation. Mr Weber said he had "sufficient grounds to believe that bank secrecy laws have been broken", but was carrying out the investigation against "a person or persons unknown". Rumours of a large transaction in UBS shares surfaced in the Zurich stock market in early November. On Christmas day, a Swiss newspaper, Sonntags Zeitung, revealed Mr Kipp's name. *Ian Rodger, Zurich*

ECONOMIC WATCH

Turkish wholesale prices up 149%

Turkish wholesale prices rose by 8.3 per cent in December and a record 149.6 per cent in 1994, the State Institute of Statistics reported yesterday. Consumer prices showed a rise of 6.3 per cent in December from November and 125.5 per cent over the year. Economists blamed the sharp rises on public sector price increases in late November and early December. Turkey has raised prices of key goods and services by some 20 per cent in the past two months after delays ahead of a key by-election that was later cancelled. In response to the announcements of record-breaking inflation figures, Turks rushed to unload their lira yesterday. A currency flight was averted, foreign exchange traders said, because the erosion of the lira's value meant that far fewer residents could afford to buy dollars than during previous currency scares. The lira lost 61 per cent of its value last year, and began 1995 at close to 41,000 to the dollar from a year-end 38,000. When prime minister Tansu Çiller's conservatives came to power three years ago they pledged to tame inflation, then at 65 per cent. *Reuter, Ankara*

■ The December unemployment rate in Austria was 4.4 per cent, unchanged from November's rate, according to preliminary, unadjusted figures from the labour ministry. *AP, Vienna*

■ Norwegian industrial investment is expected to rise to NKr12.03bn (£1.14bn) in 1995, the Central Bureau of Statistics said. *Reuter, Oslo*

هكذا في الأصل

Zedillo eschews populism for orthodox economics

But Mexico's new president has yet to convince markets he is in control, writes Stephen Fidler

President Ernesto Zedillo of Mexico has set the tone for his presidency with a message on Tuesday that underlined his government's intention to pursue orthodox economics and eschew populism.

The plan to deal with the fallout of devaluation two weeks ago which was emerging in more detail yesterday aims explicitly at avoiding the mistakes of past devaluations, when wage and price spirals undermined any competitive benefits and extended the period of painful adjustment. In short, the Mexican plan is trying to limit that adjustment to 1995.

Mr Zedillo made no bones about how hard it would be. Mexico was not a rich country, but one with serious needs and shortages, he said. Confronting the crisis "will mean sacrifices for all of us without exception".

Normally professions of financial orthodoxy are greeted positively by financial markets. But the mindset of the international financial markets, for so long over-optimistic about Mexico's prospects, appears to have become equally pessimistic. Investors have not forgiven Mr Zedillo for failing to hold the exchange rate.

The financial markets appear to be reacting to several factors. One was the lack of detail in the plan, which included, for example, no inflation forecast. Another was that several competing versions of the plan were circulating. Many investors still believe the government, for example, intends to raise corporation tax, although Mr Guillermo Ortiz, the finance minister, denied it yesterday.

The multiple postponements of Mr Zedillo's speech as government, business leaders and trade unions haggled into Tuesday morning also raised questions in the minds of investors about Mr Zedillo's presidential abilities and about whether his government's agreement with the unions would succeed in holding down wage inflation.

The lambasting Mr Zedillo's government has received from investors is partially justified, perhaps, by its lack of experience and youth. Mr Ortiz at 46 is the oldest member of the government's economic team, though central bank president Miguel Mancera is 62. However, the contrast often made with the supposed competence of the predecessor administration of President Carlos Salinas is too strongly drawn by investors. Mr Salinas's team was as youthful when they took office in 1988, but it was Mr Salinas's predecessor who dealt with the financial crisis in 1987, not the incoming president.

In the opinion of many political analysts, Mr Zedillo inherits an office weakened by economic reform and other changes in Mexican society. "The power of the office has been weakening for some time now. Salinas was weaker than his predecessors but he masked this with his leadership and public relations skills," says a member of the presidential staff. "Zedillo has not been able to compensate in the same way."

Some analysts – such as the economist Rogelio Ramirez de la O – reckon that Mr Zedillo's insistence on handling problems through the institutions of government, rather than more directly and occasionally extra-constitutionally as his predecessors did, has made leadership more difficult.

However, Mr Zedillo is early in his term, and should therefore be at the peak of his authority. Given his decision to eschew populist solutions, government officials are hoping that his stock will grow when investors become convinced of the seriousness of his proposed economic solution.

"The underlying economics does not justify the reaction we are seeing. There has been a huge overreaction of the exchange rate," said one senior government official yesterday.

The government's aim was, he said, to address the problem in the current account deficit. That would now fall to \$14bn from the \$31bn earlier being forecast for 1995. This would be financed by \$9bn of foreign direct investment – realistic since 1994 FDI exceeded \$8bn – loans from commercial banks and international financial organisations totalling \$5bn and \$1bn of net capital flows, for example into the equity market.

This assumption depends on preventing a huge further flight of capital out of Mexico this year. Much of this hangs on what happens to *tesobonos*, \$29.2bn of short-term financial instruments issued by the central bank, denominated in dollars but paid in pesos.

Worries about the continuing convertibility of the peso has made investors – some 90 per cent of which are in the US – concerned that they will not be able to take their money out of the country.

It was to address this fear that the government lined up \$18bn in foreign credit lines to back its programme. In the mean time, government officials are working on "market-oriented" solutions to attempt to persuade holders to swap *tesobonos* for longer-term securities denominated in and, unlike *tesobonos*, payable in dollars.

As for the negative reaction of the stock market, officials said it was unfortunate, but understandable. The Zedillo speech underlined how hard 1995 was going to be and suggested corporate earnings would come under pressure. The plan forecasts growth of 1.5 per cent to 2 per cent for 1995 – but one official said: "I must underline how preliminary these figures are."

The actual performance of the economy will derive from the balance of growth in manufacturing industry – based on exports and import substitution – which could "conservatively" grow 14 per cent in 1995. This will be offset by the proposed cut of 1.3 per cent in government spending and some fall in consumer demand.

The government's expectations that the devaluation will boost growth is based on a big shift in the make-up of Mexico's exports since 1987 and the last devaluation of the peso. In 1987, oil accounted for some 60-70 per cent of the export total, but now the figure is 12 per cent. Some industries, such as textiles and vehicle parts, have grown significantly last year since the introduction of the North American Trade Agreement, even at the previous overvalued exchange rate.

Another important element of the equation is what will replace the old exchange rate anchor as the cornerstone of economic policy. With most investors seeing a government with its budget probably in small surplus, the attention turns to monetary policy and to the autonomous central bank. Although the stock of Mr Mancera and his team has fallen since the devaluation – they were heavily committed to the old policy – the bank is regarded as an area of institutional competence.

Under the accord, the central bank is to limit the growth of domestic credit next year to about 16 per cent – the expected inflation rate. Asked if possible bank failures could prevent this from being achieved, a finance ministry official replied: "We are not about to add a banking crisis to this cocktail."

Investors are worried that some bank portfolios, already under pressure, will weaken much further during the devaluation, and that some may have mismatched dollar liabilities with peso assets to complicate the problem.

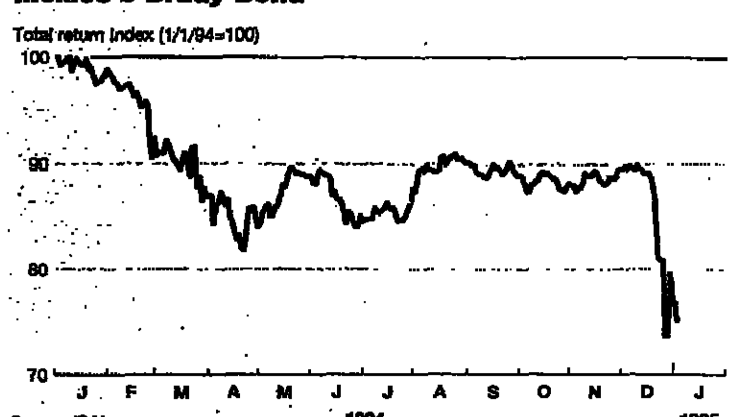
However, government officials say deposits are protected by an insurance fund and they do not intend depositors to lose money. They expect mergers and the injection of some foreign capital into the system, now the 30 per cent limit on foreign ownership of Mexican banks has been lifted.

The main risks to the plan, economists say, are that US interest rates will rise sharply in 1995, damaging capital inflows and raising domestic interest costs; that wages may start to rise more rapidly than envisaged; or that the peasant uprisings and assassinations that marked 1994 will continue with political instability through 1995.

When Mr Ortiz addresses 250 investors and commercial bankers in New York's Pierre Hotel today he will deliver a message of economic orthodoxy. He will be hoping that investors have not already closed their ears.

See Editorial Comment

Mexico's Brady Bond



Source: JP Morgan

Guillermo Ortiz: under pressure

Mexican Brady bonds tumbled yesterday morning to their lowest level in four years amid continued uncertainty about whether Mexico would be able to make good on short-term debt in the wake of its currency crisis, reports Lisa Bransten in New York.

Since the peso crisis began, Mexico's par Brady bond lost more than 20 per cent of its value, dropping to \$50-3/8 by midday yesterday. The yields soared to more than 5 percentage points over the benchmark 30-year US Treasury bond.

Leaving aside the effects of collateral supporting the bonds, the securities were yielding nearly 10 percentage points over the long bond.

Troubling the market were Mexico's recent problems turning over its short-term debt. At auction on Tuesday, the government could only sell \$52m of dollar-pegged bonds known as Tesebonos to replace \$680m-worth of the securities.

"It is a question of how Mexico restores a market base for its internal debt. That hasn't been settled, so the (Brady bond) market isn't settled yet," a portfolio manager with a major institutional investor in Latin America said.

Not since the outbreak of the Gulf War near the end of 1990 have Mexican Bradys hit such low prices, said Mr Vincent Palermo of the bond portfolio analysis department at Salomon Brothers. Since then the bonds have traded closer to 300 basis points above the long bond.

Shying away from a long and arduous campaign

By Jurek Martin in Washington

Dick Cheney and Jim Woolsey, though separated by political parties, now have something else in common beyond an abiding interest in national security, and thinning thatches.

Both President George Bush's defence secretary and President Bill Clinton's Central Intelligence Agency (CIA) director have essentially offered the same personal reasons for, in Mr Cheney's case, not running for the Republican nomination for president and, in Mr Woolsey's, for resigning his post.

In the words of the former, "I concluded I wasn't prepared to pay the price" of a long and arduous campaign. The latter had also spoken of the toll that government service takes on family life, when he quit just after Christmas.

Neither of them offered a political rationale for their actions.

But Mr Cheney's withdrawal, in a surprise announcement on Tuesday evening, also has the short-term effect of focusing attention on the national political ambitions of two other veterans of the Republican establishment – Jack Kemp, the former congressman and housing secretary under Mr Bush, and James Baker, successively from 1981-92 White House chief of staff and secretary of treasury and state.

Even the prospects of a campaign from former vice-president Dan Quayle are now under a medical cloud. He is back in hospital this week for an appendectomy only a month after an operation to remove blood clots.

While this may render him fit for the long struggle, it takes him out of some of the initial and important stumping and fund-raising.

Mr Kemp has scheduled a dinner with old friends and advisers next week to talk about whether to contest the nomination. This now seems in doubt, given the unpopularity in the dominant conservative Republican circles of his ideas for vigorous government intervention to relieve the plight of the inner cities.

Mr Baker could conclude that Mr Cheney's withdrawal leaves him as the only potential candidate with real foreign policy credentials, but his distaste for electoral politics and his reading of the Republican mood may also lead him to decide to fold his tent.

Certainly, the Republican-controlled 104th Congress, which convened yesterday, is dominated by domestic considerations, much as the 103rd was, after Mr Clinton's election. Of the prospective Republican candidates, only Senator Robert Dole, the majority leader, makes much of foreign policy.

He confirmed yesterday that he plans to introduce legislation soon to force a unilateral end to the Bosnian arms embargo by May 1 and to prohibit US forces from ever serving under a UN commander.

If passed, the latter could complicate any residual US military presence in Haiti when the UN assumes peace-keeping authority.

But little on the external front is heard from the two proto-candidates most advanced in their political planning – Senator Phil Gramm of Texas, due formally to declare on February 23, or Lamar Alexander, another ex-Bush cabinet member and former governor of Tennessee – or from the frequently mentioned gaggle of Republican governors.

Mr Cheney, reassuringly experienced, had last year seemed to position himself tactically in a potentially large field as being everybody's second choice, not disadvantageous given the obvious handicaps of other candidates (Mr Dole's age, Mr Gramm's strident conservatism, Mr Quayle's indifferent record, to name but three).

But he did say on Tuesday that he would support the Republican nominee whoever it was.

This not only suggests he would be back in government harness in a Republican presidency but also could be read as a warning to his old and close colleague, retired Gen Colin Powell, not to pursue the independent candidate route. Whether the former head of the Joint Chiefs of Staff takes that as an invitation to declare himself a Republican remains to be seen.

Mexican nerves on edge over wage pact tightrope

By Ted Bardacke in Mexico City

The Mexican government's capacity to keep labour unions under control may be slipping away at the very moment it is most needed.

Government officials recognise that if inflation is to be held down and the country is to emerge from the financial crisis relatively unscathed, limits on wage rises will have to be agreed and enforced.

Initially the government was barely able to get an agreement. Negotiations with organised labour on the wage aspects of the country's emergency economic plan bogged down as two of the most important labour leaders, Mr Francisco Hernandez Juarez of the telephone workers and Ms Elba Esther Gordillo of the teachers' union, resisted the 7 per cent wage increase, saying they were getting nothing concrete in return either from the government or business except promises to keep prices down.

"What we saw is that the government has no political capital left with the unions," said political consultant Juan Pablo Sandoval. The government used to be able to offer goodies such as an elected office, public works contracts for union owned companies and the expectation of a brighter future. With political reform, reduced public spending and dashed hopes of economic growth, the government has less room to manoeuvre.

An impassioned appeal by Mr Guillermo Ortiz, finance secretary, about the need to reach an agreement finally swayed labour leaders, although the powerful electricity workers union failed to sign the final document. Mr Ortiz argued that investors had high expectations and that without an agreement financial markets would crash and the future for workers would be even bleaker.

But the markets fell sharply anyway, thus hurting the government's credibility with the unions something that may come to haunt economic officials. "The only thing the government has going for it (with the unions) is the fear of going back to days of 100 per cent inflation. All the government has is promises. That will probably be good enough for the short-term," said Professor Roderic Ai Camp, chairman of the Latin American Studies Program at Tulane University. With a projected inflation rate of 16 per cent and a 7 per cent wage increase 10 per cent for those at the very bottom of the wage scale the sacrifice from workers would be significant, but not outrageous.

"But if the government doesn't meet its targets and recover domestic credibility the *pacto* could be in trouble and unravel," said Prof Camp, saying that the government could keep things together for about one year if it kept up its end of the inflation bargain. If prices rise too much "that time gets a whole lot shorter and the government could begin to lose it," he said.

Some are suggesting the real problem may not be between the government and unions but between union leaders and the rank-and-file. Labour leaders delivered votes for President Zedillo on the promise of a rise in real wages and additional job creation, a pledge now added to the growing number of broken promises.

"They screwed up on wages," said a foreign broker. "I know they have to reduce demand but the government should have given up a little bit more to take some pressure off. What are the leaders going to say to their memberships?"

Apparently not very much. As he walked out of the negotiations visibly upset, 94-year-old labour boss Fidel Velazquez showed that much of the wage control structure may turn out to be a *chimera* when he said after the talks: "Lots of things were said and I don't remember what they were".

Brazil hit by trade deficit

By Angus Foster in São Paulo

Brazil's trade balance went into deficit in December as rapid economic growth of more than 4.5 per cent and an overvalued currency sucked in imports.

The deficit will stoke business complaints that the unofficial trading band for the Real currency should be relaxed to prevent Brazil copying Mexico's experience of a mounting trade deficit and reliance on overseas capital.

Preliminary figures show the December deficit at R\$500m, (£381.6) the biggest monthly deficit since September 1980. The December figure is also nearly twice as high as the R\$262m deficit in November, which was the first time since 1987 that Brazil had recorded a trade deficit.

Despite the year-end surge in imports, Brazil is expected to record an overall trade surplus last year of about R\$11bn.

The Real currency, which has brought down inflation sharply, has appreciated about 15 per cent against the US dollar since it was introduced in July. Businesses have compensated for lost export competitivity by switching sales to the domestic market, where they face growing foreign competition as import barriers have been ended on many products.

The central bank is maintaining the Real at 0.84-0.86 to the US dollar, hoping to squeeze inflation out of the economy. But other ministers in the newly installed government of President Fernando Henrique Cardoso are known to favour relaxing the exchange rate to protect Brazil's exports.

David Pilling on how Mexico's financial crisis has hit another Latin American economy

Argentina battered by 'Tequila effect'

Queues of people waiting anxiously outside banks is rarely a good sign. It is especially ominous in Argentina where hyperinflation in the late-1980s saw a complete debasement of the local currency and led to the virtual collapse of the financial system.

It was thus with a sense of foreboding that, in the dying moments of 1994, economic observers watched hoards of Argentinians clamour to change pesos into dollars, the result of seeing the Mexican currency lose nearly 40 per cent of its value in a matter of days.

On December 28, Argentina's central bank was forced to sell \$353m, its largest single-day haemorrhage of dollars since the launch in 1991 of the so-called convertibility plan. Convertibility, the core of Argentina's radical economic reform, fixes in law the parity of the peso with the dollar and forbids the printing of local currency unless backed by foreign reserves.

The "Tequila effect", as the fallout from Mexico's crisis is being called, battered Argentine markets, sending bonds plummeting, interest rates spiralling, and wiping more than 17 per cent from the stock exchange's blue-chip index in six days.

But the government held firm, pointing out important differences between Argentina's economic fundamentals and those of Mexico and repeating with mantra-like devotion that it would not devalue. Rather than that, Mr Domingo Cavallo, the economy minister, said Argentina would prefer to see the total "dollarisation" of its economy.

Government resolve appears to be working. Pressure on the exchange rate has eased, with the central bank a net purchaser of dollars in the first days of 1995. Interest rates for call money, which at one point raced above 25 per cent, have fallen back to 17 per cent. The stock market reaction has been more erratic, with a recovery of 10 per cent nearly wiped out when the Merval index closed 5 per cent lower at 443.38.

It may be too early to breathe easy. "When the calm comes, you don't know if the storm has passed or if you are in the eye of a hurricane," warns Mr Luis Secco, analyst at the Broda economic consultancy. The optimistic interpretation of events is that Argentina's exchange rate system now looks stronger after surviving a trial of fire. "The Mexican devaluation could eventually prove very positive for Argentina as it should lead to a de-coupling of Mexico and Argentina in investors' minds," says Baring Securities.

Menem: backing tough measures with an eye on the polls

Optimists point to Argentina's \$16bn reserves, sounder than Mexico's pre-crisis levels. Argentina too, because it has not developed a short-term debt market, is far less exposed than Mexico to a rapid withdrawal of foreign capital. Its bi-monetary system, in any case, has resulted in more than half all local bank deposits being made in dollars.

Although Argentina's trade deficit of \$5.5bn is high, the optimists argue, it is proportionately about half that of Mexico's and beginning to shrink as export growth outpaces imports.

Argentina's economy has grown by 33 per cent since 1990 (compared with 11 per cent in Mexico), has seen inflation fall below 4 per cent and has shifted from consumer-led recovery to growth propelled by exports and investment.

Under such circumstances, a devaluation makes no sense, the argument goes, especially in an election year when economic stability is the principal campaign slogan of the governing Peronist party.

Furthermore, says Barings, the whiff of catastrophe has strengthened the hand of Mr Cavallo, who is pushing for severe public spending restraint after the emergence of a fiscal deficit in the second half of 1994. President Carlos Menem has already vetoed congressional attempts to raise the 1995 budget and has backed Mr Cavallo's insistence on a further \$1bn in spending cuts.

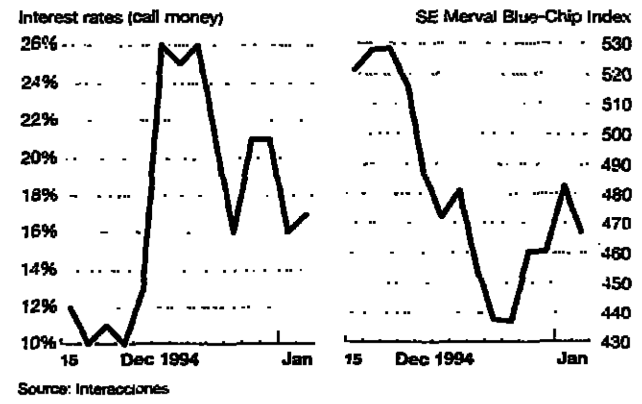
Arguments of the pessimists focus, instead, on strains within the financial system and dependency on capital inflows. Because of high interest rates, low liquidity and falling assets (in the form of banks' bond holdings) smaller financial institutions have struggled to meet their obligations. The central bank, which planned to tighten banking regulations, has instead been forced to relax them temporarily to prevent a crisis. One wholesale bank, Extrader, failed to weather the storm and has been suspended.

Mr Secco, who calculates that Argentina will need \$2.2bn in the first quarter to service its public debt, says it will be much more difficult – and far more expensive – to borrow on the international markets. In any case, Mr Cavallo has announced that no more voluntary debt will be placed while markets remain in turmoil.

Mr Secco says the Mexican crisis clearly demonstrates that "devaluation will not solve anything" and shows that "a policy of absolute exchange rate rigidity is better than a dirty float". In the unlikely event of a "catastrophic scenario", he says, pressure would begin with "the insolvency of the financial system" and a failure to "attract sufficient capital inflows".

Mr Secco is less worried about the financial system – whose difficulties he describes as "minor" – than about fiscal laxity. Argentina's response to the crisis must be to "deepen its economic reforms". "Foreign investors are asking whether Argentina will end up like Mexico," says Mr Secco. "This should not happen. But in order that it does not, the government has a lot of work."

Argentina



Source: Interacciones

Menem looks to middle class vote

By David Pilling in Buenos Aires

The choice of Mr Carlos Ruckauf, interior minister, as vice-presidential running-mate of Argentina's President Carlos Menem for general elections in May is an attempt to boost support for the governing Peronist party among the country's middle-class voters.

Mr Ruckauf, 50, a long-serving Peronist and labour minister in the 1975 government of Isabel Peron, has the reputation of an unflamboyant, scandal-free politician, with a strong image in the federal capital of Buenos Aires.

The capital, where middle-class voters, disappointed with the government's free-market reforms hold significant sway, is widely regarded as the Achilles heel in President Menem's re-election bid.

Mr Menem, whose party was defeated last April in Buenos Aires constituent assembly elections, needs 45 per cent of the national vote to be assured of a second term. Opinion polls show him hovering just below that figure; the Peronists hope Mr Ruckauf will capture sufficient middle-class waverers to tip the balance.

The naming of Mr Ruckauf earlier this week ends months of speculation. Mr Menem, who admitted that he deliberately stoked the rumour mill as a campaign ploy that "did not cost the (Peronist) Justicialista party a centavo", had endlessly fed the press with many varied clues about the identity of his running-mate.

Mr Menem's choice, from a list of around 20, is aimed at keeping peace within the Peronist party.

Central bank's move seen as prelude to wider reforms

China planning rates rises to hit inflation

By a Correspondent in Beijing

China's central bank is expected to undertake a series of small increases in its lending rates to banks and companies, in a move to cool inflation and ease pressure on troubled Chinese banks.

In the wake of a small rise in the discount rate of the People's Bank of China, effective from Sunday, Chinese financial experts quoted by the Xinhua news agency yesterday predicted that further increases were in the offing.

In the first rise in interest rates since 1993, when rates on bank deposits and loans rose twice in four months, the People's Bank of China raised its discount rate by an average of 0.24 percentage points and on loans for fixed asset investment by 0.78 percentage points. Central bank officials said this was the first time that rates had been used to control money supply.

To date in China, lending has not been carried out on commercial terms but through direct bank lending to keep loss-ridden state-run industries afloat. Reversing this practice, officials said, the bank increased interest rates on loans to commercial banks, then allowed them to raise the rate on loans to enterprises.

"This indicates that central bank has begun to pay attention to bringing its operations into line with international practice. We can see it as a prelude to the reform of the country's interest rate system," Mr Tao Liming, an analyst with the Finance Research Institute under the Bank of China, was quoted as saying.

The central bank's rate increase is directed at curbing inflation without raising the debt load further on heavily indebted state enterprises, almost half of which are losing money. For 1994, the government reported that retail prices rose 21.7 per cent and the consumer price index 24.2 per cent compared with the previous year. Because of soaring inflation, bank interest rates remain negative, even with the most recent increases.

The interest rate increase is also intended to ease pressure on banks caught in the gap between rates on bank loans and deposits,the news agency said.

Throughout 1994, the rate on one-year deposits stood at 10.98 per cent, on a par with the rate on loans. But starting in March, commercial banks also paid subsidies on fixed deposits of three years to cushion their hard-pressed industrial borrowers.

Facing a tight ceiling on bank lending as a part of the government's anti-inflation effort and rapidly growing individual savings, the banks were squeezed, the news agency said.

However, taking effect in January, the central bank set the interest rate subsidy at a record high of 9.84 per cent for deposits of three years and above, reflecting the planned upward trend in rates, according to Reuters. The subsidy is paid on top of existing interest on fixed deposits of three, five and eight years, standing at 12.24 per cent, 13.86 per cent and 17.1 per cent respectively.

NEC considers venture to make computers for Chinese market

By Michiyo Nakamoto in Tokyo

NEC, the Japanese integrated electronics manufacturer, is considering setting up a joint venture company to manufacture personal computers in China for the Chinese market, the first computer manufacturing venture in China by a Japanese computer maker.

NEC is discussing the possibility of joining forces with Changjiang Computer Union, based in Shanghai, to make PCs for the growing Chinese market.

The companies are considering making IBM compatible machines instead of using NEC's proprietary standard which dominates the Japanese market. IBM's standard is dominant in the Chinese PC market.

China is growing in interest for computer makers because of its promising market. US makers, such as IBM, and Taiwanese manufacturers have already established facilities there while Apple has indicated its intention to do so. Microsoft, the US software company, also recently said it would develop software for the Chinese market.

The Chinese PC market is expected to have a strong future, with unit sales of an estimated 630,000 in 1995, rising to 4m by the year 2000, according to industry estimates. While most of the PCs will be used by businesses and public institutions, Chinese consumers are expected to show more interest as prices come down. "Chinese consumers are keen to try out new products," an NEC representative said.

NEC expects to procure most of the PC components in China where there are already about 10 PC manufacturers and a manufacturing base for electronic parts. But main components such as the microprocessor will have to be imported from third countries, NEC said.

The Chinese market for PCs offers NEC an attractive prospect at a time of stiff competition in its home market. PCs are still in demand in Japan but NEC, which has a market share of about 50 per cent, is facing intense price competition from overseas manufacturers.

The company recently said it would introduce low-end machines for the domestic market at an unprecedented Y100,000 (£641) for a 32-bit machine with a 486 microprocessor, about 40 per cent below its previously cheapest model.

Anti-government protesters march through Dhaka streets during yesterday's general strike AP

Dhaka opposition tightens screws

Richard Galpin on the growing protests against the Bangladeshi government

Opposition leaders in Bangladesh announced a further programme of action yesterday aimed at forcing the government to resign and hold early general elections.

Later this month there will be a blockade of all road, rail and river transport throughout the country as well as a series of demonstrations and a mass rally in the capital, Dhaka.

The announcement was made at rallies in the capital held at the end of three days of general strikes which caused serious disruption in the city. Most businesses and shops have been closed for eight hours every day since Monday and the Dhaka Stock Exchange has not opened for business at all.

At a rally of the main opposition party, the Awami League, Mr Zillur Rahman, the party's general secretary, made a direct appeal to the president to dissolve parliament and call elections under a neutral caretaker administration.

If its demands are not met, the opposition has threatened to intensify its campaign with more general strikes likely to be announced.

This week's disruption has coincided with a visit to the country by Mr Douglas Hurd, the British foreign secretary. Speaking to reporters in Dhaka, Mr Hurd warned that if the political crisis continued it would have a particularly harmful effect on investor confidence.

"There is undoubtedly a link between political stability and investment," Mr Hurd said. "Friends and potential investors are anxious to see a political solution so that economic reform can continue."

But Mr Hurd said he believed the differences between the government and opposition were not great. He also emphasised how impressed he had been by the turn-round in the Bangladeshi economy in recent years. Economic growth reached 5 per cent in the year to June, the government deficit has been slashed, savings have increased and the current account deficit is now just 2 per cent of GDP.

But the political crisis threatens to undermine all this. It began last March when the main opposition parties started boycotting parliament in support of a demand for a neutral caretaker administration to supervise the next general elections. Opposition leaders accuse the government of rigging a number of by-elections since it came to power in 1991 and argue that it must step down before the next general elections to ensure voting is free and fair.

Despite strikes, transport blockades and other demonstrations last year the government refused to give in to the demands, saying they were undemocratic, unconstitutional and unprecedented.

Even the mediation of a special envoy from the Commonwealth last October failed to secure agreement. As a result, when an ultimatum to the government expired last week, almost all the opposition MPs resigned from parliament.

Since the resignations the opposition parties have changed their demands, saying they now want the government to resign immediately and hold elections within the next few months.

So far the government has given little indication of what it intends to do, other than to say there is still time for a negotiated settlement to be found. But time is now short and without a settlement there are fears of serious confrontation on the streets.

Rao commits his government to economic reform

By Alexander Nicoll in Calcutta

Mr P V Narasimha Rao, India's prime minister, yesterday committed his government to pursuit of economic reform, despite recent electoral reverses which have brought calls from within his party for a more populist approach.

Mr Narasimha Rao told the centenary conference of the Confederation of Indian Industry in Calcutta: "We are firmly committed to our reforms programme and shall move forward with confidence."

The prime minister sought to re-define the direction of reforms in his first significant speech since defeats in state elections in early December and subsequent resignations from his cabinet brought a crisis at the top of the ruling Congress party.

He gave no indication of further measures to open the economy, but firmly rejected charges that reforms were against the interests of the poor and that the country was being sold off to foreigners.

In an apparent attempt to silence party critics loosely grouping themselves around Mrs Sonia Gandhi, widow of Mr Rajiv Gandhi, though she has given no indication that she wishes to enter politics, Mr Rao said reforms had been initiated by Mr Gandhi and had been accelerated by the financial crisis of 1991. "The reforms were based on the gains of the earlier policy," he added.

The scale of foreign investment was encouraging but "takes us nowhere near fulfilment of our requirements". Some 80 per cent of foreign proposals were in infrastructure projects which had a long gestation period. "Once these come on stream, the tangible benefits of increased production and employment will be there for all to see."

It was not the case that foreign investors were only interested in getting into India's consumer goods market. "A few high-visibility cases can cause a misleading impression."

The prime minister said reforms had to have a human face and promised he would continue to introduce measures "designed to reach those sections of society that receive the benefits [of reform] with a time lag".

But he rejected palliatives intended to reduce the problems of the poor, since these would ultimately only aggravate the problems.

Mr Rao admitted the government had not done enough to get the reform message across. "There has to be a huge, intensive and continuous campaign of educating the masses of the people in their own idiom, so as to remove the hiatus in perceptions which so often causes upheavals."

The progress of reforms thus far was due to their wide acceptance. "Yesterday's opponents have become today's protectors."

On the platform with him was Mr Jyoti Basu, communist chief minister of West Bengal, of which Calcutta is the capital. West Bengal is winning wide praise for its embrace of reform and efficient handling of new investment projects.

Indian textile and clothing deals welcomed

Shiraz Sidhva and **Nancy Dunne** on accords with the US and EU under which Delhi will ease tariffs and gain greater market access

Trade officials yesterday welcomed two agreements between the US, the European Union and India which will open the Indian market to foreign textiles and clothing.

Mr Mickey Kantor, the US trade representative, said the deal represented "a very positive step" in improving US-Indian trade relations. India is the last textile exporting signatory to the General Agreement on Tariffs and Trade to agree to open its own markets.

"This agreement means that our textile trade can take place on a fair, stable and more long-lasting basis," Mr Kantor said.

The agreements, signed separately in Washington and Brussels, will give India greater market access to the US and EU, which together account for more than half India's textile and apparel exports. In return, India has agreed to a phased dismantling of its tariffs and import restrictions.

Mr G Venkat Swamy, India's minister of state for textiles, said textile and clothing exports, worth Rs211.87bn to March 1994, were likely to increase by at least Rs100bn over the next three years.

India will reduce tariffs by 65 per cent on the fabrics listed in the agreement by January 1 1998 and remove quantitative restrictions on more fabrics and made-ups from the beginning of 1998, according to Mr T.S.R. Subramanian, a Textiles Ministry official.

Importers will no longer need special permission to import the fabrics listed, he said, but clothing was not covered by the agreement, and would be freed from restrictions only in 2002.

However, India said that the two agreements contained a "safeguard clause" under which tariffs would return to January 1 1990 levels if the integration process planned under the Uruguay Round world trade agreement "does not materialise in full" or is delayed.

US producers have been split over the effects of trade liberalisation, but the American Textile and Manufacturers Institute is backing the deal, which it says gives producers of home furnishings, industrial and apparel fabrics and yarns access to a new market of some 300m well-off customers.

"The Indian market, which is larger in total than the US market, offers our industry the opportunity to increase exports significantly thereby offsetting some of the adverse impact of increased imports as US textile and apparel quotas are liberalised," the ATMI said.

The US and EU have freed handloom products and cotton made-ups (such as bed and table linen) from quota restrictions. The EU has done the same for cottage industry products.

Indian mills, handlooms and the cottage industry have been substantially displaced by powerlooms, which now account for nearly two-thirds of Indian textile output.

There has been little sympathy for the mill owners' plight during this restructuring, but the decline in handloom and hand woven products has been a highly emotive issue.

There are more than 3m handloom households in India, earning less than $25 a month, and handloom weavers have been reported to be starving in some regions. The government is optimistic that the new agreements will help generate employment in these labour-intensive sectors.

Indian mill owners have criticised the government for protecting only the interests of the handloom sector, and are annoyed that the easing of clothing quotas has been restricted to certain types of producers. They argue that the benefits from the agreements have been denied in those areas with the greatest potential for increased volume and added value.

Exporters also question the raising of quotas as a means of boosting the country's textile industry. India's quota utilisation in some categories has dropped to 65.6 per cent in 1994 from 89.4 per cent in the previous year, according to a recent report submitted to the Textiles Ministry by the Delhi-based Garment Exporters' Association.

The association has urged an end to the minimum price system, which, it believes, has been far more damaging to textile exports than quotas. Minimum prices have made many Indian goods, especially casual wear and children's clothing, less competitive on the international market.

The US had been particularly concerned that the concessions might result in a flood of Indian goods in its markets.

India's agreements with the EU and US followed India's move to amend its protectionist Patents Act to permit multinational corporations to apply for patents on products in the agricultural, chemical and pharmaceutical sectors. India's previous law allowed patents only on processes rather than on products in these sectors.

India was required to amend its patent laws in order to join the World Trade Organisation, the sucessor to Gatt, which began operating at the turn of the year.

India and the US have also resolved last year's controversy over the export of traditional Indian skirts made of rayon, which the US banned for over a month after a consumer protection group termed them "dangerously flammable".

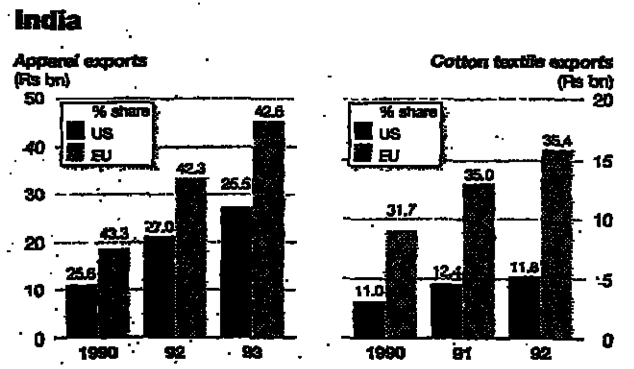
The Indian government late last year said it had established a testing and certification programme to ensure that all rayon chiffon skirts exported to the US complied with US flammability standards. India exported more than Rs1bn worth of the skirts to the US last year.

Dreams behind the scenes, Page 11

Bombay Budweiser

Anheuser-Busch of St Louis, US, brewers of Budweiser, the world's largest-selling beer, have formed a partnership with the Bombay-based Shaw Wallace, giving the Indian company rights to license, brew, package, market and distribute the Budweiser brand across the country, Shiraz Sidhva writes from New Delhi. The launch is scheduled for later this year before the peak summer season. Budweiser will be competing with international brands including Heineken, Holsten and Carlsberg, all poised to enter the Indian market.

India

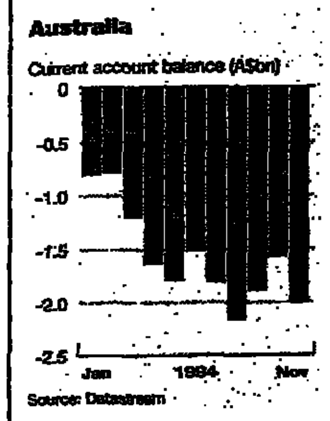


Source: Computed from AEPC data

Source: Computed from Texprocil data

INTERNATIONAL NEWS DIGEST

Australia deficit widens to A$2bn



Source: Datastream

Australia's current account deficit widened to A$2.002bn (US$1.55bn) in November – the second time the figure has topped A$2bn in four months. The November figure, calculated on a seasonally adjusted basis, compared with a revised A$1.558bn deficit in October and a A$1.145bn deficit for November 1993. It means the cumulative current account deficit for the 1994-95 financial year stands at about A$11.2bn, a 50 per cent increase over the first five months of 1993-4. Many economists now forecast that Australia's deficit for the year will reach A$22bn-A$23bn, or about 5 per cent of gross domestic product. The government's budget estimates, issued in May last year, suggested an A$18m deficit.

The latest figures showed that imports rose by about 3 per cent in November, while exports dipped by about 2 per cent, to A$5.486bn on a seasonally adjusted basis. The latter result was better than some forecasters had feared, largely because rural exports – thought to be depressed by the effects of the drought in eastern states – rose by 2 per cent. However, it is generally acknowledged that the drought-related squeeze on rural production will show through in due course.

The latest figures, although discouraging, were in line with market expectations and confirmed its view that fiscal policy would have to be tightened soon. Australia has already raised interest rates three times since August in an effort to check its surging economy. However, the federal government is still running a sizeable budget deficit, and there is pressure to accelerate the move to break even – probably through tax increases. Mr Ralph Willis, Australia's treasurer, indicated before Christmas that this option would be considered when the mid-year review was undertaken this month, prompting speculation that some tax moves will be announced before the next budget in May. *Nikki Tait, Sydney*

Thai reform may hit minister

The position of Thailand's foreign minister, Mr Thaksin Shinawatra, has been thrown into doubt following the passage of a package of constitutional amendments by the Thai parliament yesterday which forbids cabinet members from holding government concessions.

Mr Thaksin built the country's biggest telecommunications company, the Shinawatra Computer and Communications group, on his ability to win government contracts. The foreign minister has resigned as Shinawatra's chairman in favour of his wife, but may be vulnerable to the accusation of abusing at least "the spirit" of the new laws. Mr Thaksin said yesterday he would decide by next Tuesday whether to resign or not. "Legitimacy will be the keyword when I'm making up my mind about what I should do about my cabinet portfolio."

The entrepreneur was a surprise appointment to the sensitive foreign affairs portfolio late last year when the leader of the Palang Dharma (Buddhist Force) party, Mr Chamlong Srimuang, sacked all 11 of his party's ministers to try to boost his party's flagging popularity. *William Barnes, Bangkok*

Palestinians shot dead

Israeli soldiers yesterday shot dead four Palestinians in the West Bank village of Beit Liqia near Ramallah, Israeli security sources said. They said the troops opened fire after gunmen shot at the soldiers and wounded one. The incident came as soldiers were also reported to have wounded four Palestinians in two clashes at the Erez crossing between Israel and the Gaza Strip. As with a more serious incident at the same spot on Monday, when three Palestinian policemen were shot dead, each side accused the other of opening fire first. An Israeli military spokesman said Israeli sentries at the checkpoint came under fire from within the Palestinian-controlled area, and shot back. The second exchange followed when shots were fired from an orchard at an Israeli position south of the crossing.

A Palestinian spokesman claimed the Israelis fired first at the checkpoint. "They were not provoked," he maintained. Despite the continuing friction, Israel's Prime Minister Yitzhak Rabin and Mr Yassir Arafat, Palestine Liberation Organisation chairman, meet next week to try to revive the momentum of the peace negotiations. *Eric Silver, Jerusalem*

Nigeria in gas supply deal

Nigeria's oil minister, Mr Don Etiebet, and his counterparts from Benin, Togo and Ghana have signed an agreement in principle for Nigeria to supply natural gas to the three West African countries and possibly Cote d'Ivoire. The agreement would come into effect after the completion of a pipeline and other facilities in 1998. The project developer, as yet unnamed, will be responsible for raising $260m to finance the scheme. Chevron, the producer of the gas, MAN the German power group, and US investors expect to form a consortium for the project. According to a World Bank study, carried out by Italian consultants Bain, Cuneo Associates in 1992, the project could reduce primary energy costs in the region by $500m over 20 years. The potential demand from neighbouring states for Nigerian gas is expected to rise from 50m cu ft per day in 1998 to 160 mcfd in 2018 thanks to expanding power generation. The supply will be from Chevron's West Delta field near the Escravos terminal in mid-western Nigeria. *Paul Adams, Lagos*

Space shots for Woomera

Australia and Germany yesterday signed an agreement to allow a German-Japanese experimental space capsule to land at Woomera, South Australia, this month. It is the first agreement for a non-military launch in one country, in this case Japan, and recovery of the capsule in another. In the 1960s and 1970s, the Woomera rocket range was a significant base for UK and European launch activity, and at one stage Australia could boast it was only the third nation from whose territory a satellite had been launched. Yesterday, officials said they hoped the latest agreement would reinforce Australia's credentials and encourage the re-use of Woomera as an international space facility. Another project was already under consideration, but no details were given. The German-Japanese capsule will be launched from the Kagoshima Space Centre on January 15 and, after orbiting the earth, should land at Woomera on January 21. *Nikki Tait, Sydney*

Taiwan hint on China shipping

Taiwan's vice-premier Hsu Li-teh has given Taiwan's highest-level and clearest endorsement of a plan to allow direct shipping from the island to China, challenging a decades-old ban. Mr Hsu, who is also head of the nation's top economic planning body, said the southern port of Kaohsiung should be designated an "offshore" shipping centre from which ships should be allowed to sail directly to China. Taiwan has banned all direct links with China since 1949. All legal trade, investment, post and other traffic between the two now goes through such third territories as Hong Kong. *Reuter, Taipei*

Pope's visit boost for peace

The plan for a two-day visit by Pope John Paul II to Colombo later this month helped seal this week's ceasefire agreement between the Sri Lankan government and the Tamil separatist rebels, officials said in Colombo yesterday. More than 10,000 families from the northern Jaffna Peninsula plan to travel to Colombo to see the Pope when he arrives on January 20. Under the agreement, details of which will be given to parliament tomorrow by President Chandrika Kumaratunga, no armed action will be taken by either side from mid-January. *Mervyn de Silva, Colombo*

هكذا من الأصل

US, Swedish and Australian groups make one of world's most lucrative markets even tougher

Cost of transatlantic calls will fall further

By Alan Cane

The cost of telephone calls to North America seems set to fall regularly for the foreseeable future. Business and residential customers will benefit as telecommunications operators vie for a larger share of one of the world's busiest and most lucrative routes.

Mr David Hardwicke, UK chief executive of IBD WorldCom, said average prices had fallen by one third in the past three years and he expected a further one third decline in the next three.

Mr Kevin Langford, telecoms analyst with Flemings Research in London, said: "The large profits being made by operators on this route leaves a lot of potential for price cutting."

Mercury Communications, the UK's second-largest carrier, began the latest round of price cutting just before the new year, and British Telecommunications soon responded. Mercury, owned by Cable & Wireless of the UK and Bell Canada, said yesterday its prices would soon be reviewed.

The battle for market share in a critical route is clearly hotting up. Calls to the US represent more than 20 per cent of the 3bn minutes a year of outgoing calls from the UK. Calls to the UK represent 7.2 per cent of the 7bn minutes of calls which go out every year from the US.

There was no surprise among analysts that BT should have chosen to cut transatlantic prices to help to offset its announced increases in UK line rental charges. BT and Mercury may have the biggest share of the westbound transatlantic business between them but there is no shortage of competition. They are only the largest of many companies with licences to offer transatlantic telephone services from the UK. Others include IDB WorldCom, US Sprint, ACC, Esprit, MFS and Colt. Among the newcomers are Telia UK, a subsidiary of the Swedish state owned telecommunications group, and Telstra of Australia. In total, however, these companies have less than 10 per cent of the market.

The most significant new entrant will be American Telephone and Telegraph, the largest US carrier, which won a full UK operator's licence last month. AT&T has announced a joint venture with Unisource, a consortium of European telecoms operators designed to offer sophisticated services to multinational groups in Europe.

The effect of competition from these "resellers" – some of whom are charging less than half BT's rates – has been to bring prices down sharply on the east-west transatlantic route. Mr Michael Hepher, BT group managing director, said his company's customers get a better deal than the Americans on transatlantic calls. When BT's latest price cuts take effect, he said, its customers would be able to make daytime calls to the US for less than half the price of calls made in the other direction.

Ruling may speed Polly Peck payments

By Jim Kelly,
Accountancy Correspondent

A High Court ruling has paved the way for creditors of Polly Peck International, part of the collapsed business empire of fugitive businessman Mr Asil Nadir, to get an interim payment of 1.5p in the pound (1.5 per cent) by the end of June this year.

The administrators of PPI yesterday announced a series of developments in their long-running efforts to secure the assets from the group, which collapsed in 1990 with debts of more than £1bn.

"Things are now moving at a rapid pace and we can see light at the end of the tunnel," said Mr Christopher Barlow, the lead administrator and a partner in accountants Coopers & Lybrand.

The High Court has ruled that the administrators can begin to pay creditors through a scheme of arrangement if they secure majority agreement of creditors, or 75 per cent agreement by creditor value.

This will be the first formal step in the process of distributing funds.

Yesterday's announcement follows the signing of an agreement with the creditors of PPI Holdings BV, a Dutch company, which will allow an initial $53m to flow to PPI. Funds routed through the holding company include proceeds from the sale of the Del Monte fruit company.

The deal puts in place an agreed formula for the distribution of future assets realised from the Polly Peck Group and should mean that they will flow relatively smoothly to the creditors of PPI.

Mr Barlow said progress had also been made in securing the assets of the PPI group in Turkey. A local administrator had been appointed to control the assets but this order had now been overturned.

"This is a significant step forward in Turkey and we are pleased that the Turkish courts have agreed with us that the appointment of a curator was not appropriate," said Mr Barlow.

Assets in Turkey include Vestel, an electronics company, and Meyna, a fruit packaging business. He added that negotiations were currently under way with two potential buyers of the assets of the group in the breakaway republic of northern Cyprus.

Sacked bus drivers launch free service

By Andrew Bolger,
Employment Correspondent

Bus drivers sacked for going on strike have set up a free minibus service at Chelmsford, 50km north-east of London, in competition with their employer.

The 103 drivers were dismissed in November by Eastern National, a subsidiary of bus operator Badgerline after they took industrial action over working hours.

In addition to picketing, their union, the TGWU general union, once the largest in Britain and one of the most powerful, has been running two free buses for the past two weeks. The keys to another two were handed over to the drivers yesterday by Mr Bill Morris, the union's general secretary.

Unions have been looking for ways to pursue industrial disputes that do not inconvenience the public. Eastern National quickly recruited substitute drivers to replace the sacked workers and said its services were now practically back to normal. Its Chelmsford depot runs 80 buses.

Mr Graeme Varley, Badgerline's managing director, said: "The union's service has been pretty peripheral – it is obviously being done on a propaganda basis." The TGWU is considering operating up to six free vehicles. It said its service was more than a gesture, and would operate for the foreseeable future.

When the company advertised the vacancies caused by the dismissals, it received more than 400 applications. Mr Morris met Eastern National managers at Chelmsford yesterday, but they refused to reinstate the strikers.

The union said its buses were fully insured for passengers. Because they are minibuses and no fares are being charged, no operator's licence was required.

Badgerline, floated on the stock market in 1993, is one of a small group of companies which has been rapidly consolidating the UK's fragmented bus industry.

Now Britain's second largest bus operator, it started as a buy-out in 1986 as part of the government's privatisation programme.

Drivers sacked last November operating their rival service yesterday

MPs urge minister to quit over prison scandals

By Kevin Brown,
Political Correspondent,
and Alan Pike

Opposition MPs yesterday demanded the resignation of Mr Michael Howard, the home secretary, in the wake of two nights of rioting at Everthorpe jail in north-east England and the escape of three dangerous prisoners from Parkhurst on the Isle of Wight.

Mr Jack Straw, the Labour party's shadow home secretary, said Mr Howard's job was "on the line" following last year's breakout by members of the Irish Republican Army from Whitemoor high security prison in central England, where police also discovered a hoard of Semtex explosive.

Mr Straw said there was "mounting evidence that Mr Howard's agenda for privatising the prison service, to enable some companies to make money out of incarcerating prisoners, was leading to a most significant diversion of management time".

He also claimed that the government's decision to establish the prison service as an independent agency had caused "huge confusion" over responsibility for operational control of security at prisons. Mr Howard said he would resign if the problems at Everthorpe or Parkhurst were shown to be caused by policy decisions. But he denied claims that overcrowding or cost cutting were to blame. "I accept ultimate responsibility for the prison service . . . but what people want to know is who did what when things went wrong," he told BBC radio.

In a further embarrassment for the prison service, Judge Stephen Tumim, the Inspector of Prisons, said he had warned of "serious security defects on a broad front" at Parkhurst last year. Judge Tumim said that his comments were passed to Mr Derek Lewis, director of the prisons service, who said something would be done right away. "I assume some action was taken but it has not been effective," the judge said.

Mr Lewis said that Judge Tumim's note suggested that the main trouble was inadequate searching and that his recommendations on that had been implemented.

The Prison Officers' Association said competition from the private sector had triggered a "crisis" in the prison service.

The governor of high-security Parkhurst jail was told that prisoners had a master key two days before three dangerous inmates used it to escape, warders said last night. They said they had told Mr John Marriott, the governor, they believed prisoners had a copy of the key, and that he failed to act.

The news emerged tonight, hours after the Prison Service admitted its own inefficiency was to blame for the escape of two murderers and an arsonist from the jail sometimes described as Britain's Alcatraz because of its island site off the south coast of England and its high-risk inmates.

News that a key was used added to the embarrassment of the service, which promised to step up security at the prison after failure to "follow basic security procedures". The three escapees had up to two hours or more to get away after letting themselves out of a gymnasium, unlocking a workshop and assembling a ladder. 200 police continued a land, sea and air search around the island last night. Fears grew that the men may have boarded a ferry to the mainland.

Inflight satellite information link for BA aircraft

By Paul Taylor

Airline passengers will soon be able to shop from an electronic catalogue, make flight and hotel reservations and retrieve financial information without leaving their seats – by using satellite communications technology.

The system, which will be installed early this year in British Airways and Singapore Airlines aircraft, has been developed by Racal/Honeywell in partnership with BT and highlights the growth of the world market for airborne digital communications.

From a passenger cabin seat information is transmitted to the ground via Inmarsat's satellites using Racal/Honeywell's Satcom equipment and BT's airline interactive services processing centre.

The new inflight services system represents the first application of the next generation Data-3 – an Inmarsat X.25 standard for the support of high speed packet-switched data services.

In addition to passenger interactive services, Data-3 technology will permit the introduction of sophisticated new satellite navigations and air traffic management systems including automatic dependent surveillance (ADS) systems in which a stream of data is fed back automatically from the aircraft to the air traffic controllers on the ground.

Using ADS systems computer automatically would allow aircraft to fly closer together while maintaining safety standards and could lead to airline savings in terms of fuel and other costs.

British Airways and the Civil Aviation Authority in the UK, and Air France and the French air-traffic control organisation, Service Technique de la Navigation Aérienne, have been testing for the past 18 months a prototype ADS unit developed by Racal.

The Franco-British trials are to be extended to 10 other aircraft this summer.

Eventually Racal believes Data-3 technology it will put it in a strong position to bid for contracts for the next generation of "gate-to-gate" flight management systems.

Newcomers to jobs market 'lack business sense'

Graduate skills criticised

By Lisa Wood, Labour Staff

Employers seeking to recruit more graduates as the recession lifts are being inundated by applicants. But they say too few are of the right calibre.

Too many graduates lack general communication skills, business sense and the ability to work in a team, say employers surveyed by the Association of Graduate Recruiters, which represents most of the biggest companies recruiting graduates in the UK. Engineering and science-based companies said there were not enough graduates with the skills needed to walk straight into a job.

The annual survey by the AGR said overall 10,204 graduates were recruited in 1994 by its members, 2.3 per cent more than in 1993.

However, at a time of substantial expansion in graduate numbers, the percentage of organisations reporting a shortfall in recruitment had increased in 1994, the first such movement in four years. Twenty per cent of organisations reported a shortfall compared with 13 per cent in 1993.

Ms Kate Orebi Gann, AGR chairman and recruitment manager at Marks and Spencer, said: "Employers receive 100 or more applications for each vacancy but they are still having some trouble finding the right graduate for the job."

Bass, the leisure group, said it had received more than 3,000 applicants for its 1995 graduate intake of up to 50 jobs. "The proportion of applicants of the quality that we are looking for is slight," Bass said.

Rail sell-off suffers setback

British Rail is to delay the sale of its loss-making Freightliner subsidiary for a further six to 12 months, our Transport Correspondent writes.

Freightliner is to be hived off into a separate company with its own terminals, locomotives, road vehicles and depots to allow its management to restructure the business and reduce losses. These amounted to £38m last year on sales of £78m.

BR's announcement came as a blow to the three companies which are bidding for the business and to a group of international shipping lines which has been lobbying for a rapid decision. It was also a blow to government plans to privatise the national rail network controlled by BR.

"It is very disappointing," said Mr Keith Duggan, director of transport at Hapag-Lloyd, a German company. "We have already had to make plans for 1995 which were more road-oriented than we wanted. Now we face the prospect of having to do the same for 1996."

Freightliner, which moves containers from ports to inland terminals, was to have been the first train subsidiary of BR to be sold off. It may now be delayed until after the sale of the first six passenger train operating franchises due the second half of 1996.

"Some further rationalisation of Freightliner is needed because the hopelessly uneconomic bits of the business were dragging down the value of the whole," a BR spokesman said.

Tax concession will aid Channel tunnel terminals

By Jim Kelly

Development around the Channel tunnel rail freight terminals received a tax boost yesterday from a measure included in the Finance Bill.

Industrial building allowances currently applied to warehouses which store or hold goods brought in by sea or air are to be extended to all forms of transportation.

In the past the allowances have stimulated warehouse construction at ports and airports. The extension of the allowance was welcomed as a boost to the development of the Channel tunnel's freight business.

Mr David Baker of Baker Rose, the consultants advising on the Doncaster International Railport in northern England and the Daventry International Railfreight Terminal in the Midlands, said: "This is very good news and will have a significant impact in terms of the tax benefits. This will be an additional incentive for putting warehousing at the prime nodal points." He added that Moss End, Glasgow, could also benefit.

Mr Mike Roper, a director of Abbcott Estates which is developing the Daventry terminal, said: "This is obviously quite encouraging, although I would like to see the small print."

Mr Roper said a 350-acre site was being developed at Daventry, off the West Coast main line from London to Scotland, and 4m sq ft of warehousing was planned. Mr François Leclercq, managing director of CTL, the Channel tunnel freight train operator, said: "This will help any new investor who wants to build warehousing and gain access to the network."

He said the measure could help the development of warehousing at the terminals, which are at various stages of construction, in Liverpool, Birmingham, Manchester, Glasgow and London.

The Inland Revenue said the clause had been placed in the Finance Bill in order to update legislation with the introduction of rail imports. "If we had not done this we could have been accused of discriminating against railways. As a result a warehouse at a terminal can have the same allowances as those extended when goods are flown in."

● Trains carrying cars and passengers through the Channel tunnel between England and France have begun to operate 24 hours a day. Departures every two hours between 23h00 and 7h00 (London time) have been added to the hourly services between 7h00 and 23h00. There are now 40 car shuttle departures a day compared with 26 a day in 1994.

Political wrangling over the finance bill lies ahead after the opposition Labour party yesterday accused the government of trying to avoid debate on tax changes by excluding them from the bill.

Labour said the omission of clauses increasing excise duties and reducing value added tax on domestic fuel was an "affront" to the House of Commons.

The clauses are needed to implement the mini-Budget forced on the government after the defeat of proposals for an increase in VAT on fuel from 8 per cent to 17.5 per cent.

Officials said the clauses would be tabled after the Commons reassembles next week at the end of the Christmas recess. The government hopes the 141-clause bill will become law in May.

UK NEWS DIGEST

Airlines insist court battle will proceed in US

Mr Richard Branson's Virgin Atlantic airline and its rival British Airways insisted yesterday their legal battle over the so-called "dirty tricks" affair would go ahead in the US, with BA promising to "meet Mr Branson in court". The insistence by both airlines that it was too late for an out-of-court settlement followed Tuesday's US court ruling granting Virgin Atlantic permission to proceed with a $1bn anti-trust suit against BA.

The suit alleges that BA used its monopoly power at London's airports to try to squeeze out Virgin on transatlantic routes. It was launched in 1993 after attempts to reach a compensation agreement between the two sides broke down. Virgin has demanded minimum damages of $325m, but US courts have the power to treble that.

Tuesday's ruling did, however, grant BA's motion to dismiss five of Virgin's eight original claims, including a challenge to BA's investment in USAir. The ruling aroused speculation that BA would resume attempts to reach an out-of-court settlement. But Virgin said yesterday it had heard nothing from BA.
Neil Buckley, Consumer Industries Staff

Duke to visit Dresden

The Duke of Kent is to visit Germany to mark the 50th anniversary of the destruction of Dresden by RAF and USAF bombers in 1945. A firestorm in the raid killed between 30,000 and 60,000 civilians. The theme of the visit from February 12 to 14 will be "reconciliation with a view to co-operation and partnership", said a spokesman for the duke, who is a patron of the Anglo-German Association.

The duke is visiting the German city at the invitation of the Mayor of Dresden. He will be accompanied by the bishop of Coventry, an English city heavily bombed during the Second World War. The duke – whose father was killed in a plane crash while on active service in 1942 – will present plans for a cross to be placed on a new church replacing one destroyed in the bombing. *PA News*

Reserves rise by $62m

Britain's underlying gold and currency reserves rose by $62m in December, the Treasury said. The rise was higher than forecast, with most analysts expecting no increase in underlying reserves. But the overall level, which includes more erratic elements such as tenders, fell back slightly. By the end of December, the overall level of UK official reserves was $43.9bn, down from $44bn at the end of November.

This overall total included a December tender of Ecu treasury bills worth $1.1bn, and the maturing of Ecu treasury bills worth $1.1bn. There was also $22m of repayments of borrowing under the public-sector exchange cover scheme, with British Nuclear Fuels repaying $6m. The overall total was also affected by long-term capital repayments of $144m.
Gillian Tett, Economics Staff

Plea over livestock exports

Port authorities at Shoreham on the south coast of England, scene of violent protests by animal rights activists, appealed to the government to provide better police protection or ban the trade in live animals. Mr Philip Lacey, port manager, said: "It is quite wrong for us to be caught in the middle of all this. The only circumstance in which a port can decline any legal trade is if the port's facilities are already fully used."

Violence flared outside the port on Tuesday night as hundreds of demonstrators blocked trucks trying to transport calves and sheep to mainland Europe. Compassion in World Farming, one of the organisers, said it was appalled at the violent protests by "a tiny minority" of extremists.
Alison Maitland, Farming Staff

Windsor oil test passes hurdle

A committee of Berkshire County Council gave temporary planning permission for exploratory drilling for oil and gas near Windsor Castle, one of the Queen's residences. The scheme, by Canuk Exploration, involves a borehole 300m to 400m deep in Windsor Home Park, 600m south-east of the castle. Councillors voted after a stormy debate to allow drilling over eight weeks.

Mr John Maisie, a councillor who represents the Royal Borough of Windsor and Maidenhead, said there had been letters from Japan, the US, Canada, Brazil and Israel protesting at the effect of drilling. "The castle and Home Park must surely be at the very heart of our national heritage with over 4m people visiting it." There were cries of "shame on you" from a number of councillors as the application was approved with a show of hands. *PA News*

'Good causes' seek cash

THE NATIONAL LOTTERY

Requests from good causes for National Lottery money topped the £1bn mark yesterday – the first day administrators were accepting formal applications. There is £96.5m available for the lottery's five good causes of the arts, sport, heritage, charities and the Millennium Fund. More than 50 applications were delivered to the Arts Council, the Sports Council, the National Heritage Memorial Fund, and the Millennium Fund. The National Lotteries Charities Board will not be open for business until later in the year.

Bidder for hospital is named

A Middle East consortium is the "preferred bidder" for the troubled Health Care International Hospital in Scotland, staff were told. The consortium, led by the Abu Dhabi Investment Company, has agreed a price and the main conditions of sale with the receivers.

Bankers called in the receivers in November only a few months after the hospital was officially opened. It failed to fill its 240 beds, 21 operating theatres and nearby hotel. Opposition politicians attacked the project, which received £40m in public money, as a white elephant. *PA News*

PLAYER BANNED: Former Great Britain rugby winger Barry Ledger was yesterday suspended from playing for six months after being tested positively for cannabis. The ban followed the results of tests made last November. The Rugby League Board said it was "determined to reinforce rugby league's image as a drugs-free sport".

IDENTITY CARDS FAVOURED: Most businesses favour indentity cards as a way of combating credit card and other fraud, a British Chambers of Commerce survey indicates. UK citizens are not required to carry identity cards unless they leave the country. The survey, based on a nationwide sample of chambers and other professional associations representing nearly 44,000 businesses, showed that 98 per cent favoured a national identification system.

POLICE FACE CHARGES: A record 400 motorists including at least six police officers will face Christmas drink-drive charges in Northern Ireland. Chief Superintendent Eugene Kearney, head of the Royal Ulster Constabulary traffic branch, said: "It's inevitable that in a campaign of this scale some police officers will be tested. If found over the limit they will face the full consequences."

SUNDAY OPENING: Theatres in London's West End owned by Mayfair Theatres and Cinemas are to open regularly on Sundays from March after a deal between the company and the technicians' trade union Bectu. Equity, the actors' union, said: "If this improves the prospects of theatres, we would be in favour of it. But the package has got to be right – we would expect a substantial payment for members working on a Sunday."

هكذا عند الأصل

TECHNOLOGY

Andrew Baxter looks at how small companies can take advantage of rapid prototyping

A mould breaker

Gordon Styles had a pleasant surprise when he visited a UK toy company to gauge the potential of rapid prototyping (RP), the process which drastically cuts the time to produce a prototype from a computer-aided design (Cad).

Late in 1993 Styles was thinking of setting up an RP bureau, which would receive Cad files from customers in industry and turn them into prototypes of components. "I had an order from the company within half an hour," he says, "and I had not even bought the RP machine. I had to subcontract the work to a Taiwanese bureau." The episode helped convince Styles, 30-year-old managing director of Styles Precision Components, to open an RP bureau at his Teesside engineering company.

He hopes to exploit the growing interest among UK and continental European manufacturers for a relatively new process which has shown it can play an important part in reducing product development times.

Across Europe, there are a small number of big manufacturing companies with their own RP machines, which cost £250,000-£500,000 each.

At Whirlpool Italia's cooker plant at Cassinetta in northern Italy, for example, an RP machine helps produce cast iron versions of burner grids in a week – some weeks less than it would have taken with traditional model-making methods.

Even big companies are using RP bureaux if they have run out of internal capacity on their own machine. For smaller and medium-sized manufacturers, which would be unable to justify buying their own RP machines, the bureaux are ideal.

The first to establish a reputation was Gloucester-based Formation Engineering Services, and in April 1993 IMI, the big engineering group, opened a bureau on its main site at Witton in Birmingham.

"RP was new, and we identified it as having a lot of potential," says Tony Macis, sales engineer at the IMI bureau. "From day one, the bulk of our business came from outside customers, in the automotive, mechanical and electronics industries and more recently from general engineering too."

RP is a generic term for half a dozen different emerging technologies, but all three of these bureaux use the so far dominant "stereolithography" process, produced by US-based 3D Systems.

This converts a 3D (Cad) file into an STL (for stereolithography) file – in which the image of the part is broken down into hundreds of electronic "slices". (If necessary, bureaux will also convert two-dimensional Cad files into 3D images.)

The next stage involves rebuilding the component slice by slice. Each is redrawn by tracking a low power ultraviolet laser across a small bath of photoreactive resin, instantly turning the areas of contact into a solid plastic. The finished slice is lowered slightly into the bath and the next one drawn on top.

Head start: rapid prototyping can produce models of human skulls for clinical study

It can take a few hours for a small component, or three to four days for a large one. After further processing, the part could then be delivered to the client, but bureaux such as Styles and IMI prefer to use it as the master model for running off about 20 copies for the customer in a few days, using the traditional elbow grease and new processes such as vacuum casting to add surface texture.

Alternatively, some resin prototypes can be used as the start of a process known as investment casting, which can produce a metal component.

The overall process can cut weeks or even months off traditional model-making, but the combination of old and new methods means that RP should be seen more as an opportunity than a threat for model-makers, says Styles.

The episode with the toy company provided a good lesson, he says. "The Taiwanese had delivered the part before we had half the quotes back, and the range of prices was huge. We realised we had to be as keen as the Taiwanese bureau."

But not everyone was as ready to accept RP as the toymaker. Styles has spent much of the past year convincing manufacturers who were dubious about the accuracy and cost of the process, and worried about possible health risks from the resin and the strength of the finished models.

Some of the problems with RP were real enough a year or two ago, but have now been addressed, he says. New epoxy resins, introduced over the past year, are replacing acrylic resins, doubling the tensile strength of the prototype – although it takes a little longer to build.

Also, the latest Cad systems have the capacity to produce much more accurate STL files. Each "slice" is drawn as a pattern of triangles, and accuracy is increased as the size of the triangles is reduced. If the triangles are too large, supposedly round holes in models emerge as polygonal.

Styles is concentrating on prototypes for thin-walled, highly-accurate and complex components produced by the plastic injection moulding industry. This is where his 3D Systems machine works best, he says – it is too slow to build large block-type parts, the forte of a different RP system called laminated object manufacturing (Lom).

Styles' RP machine has been running for about a year, producing everything from parts of mobile telephones to models of human skulls for clinical study. A similar range, for a wide variety of customers, has been produced at the IMI bureau.

The recent upturn in activity in the engineering sector has been a useful bonus for the RP bureaux. As demand rises, careful planning is needed to make the most of the machine's capacity. "Our's is running 24 hours a day, seven days a week," says Macis.

Both bureaux are pinning their hopes on benefiting from long-term trends in manufacturing. As big manufacturers push out detailed component design work to sub-contractors to save time, small companies will be encouraged to use the bureaux.

Expansion is in the air at both companies. Styles plans to move a few hundred yards to a bigger factory unit at Thornaby later this year, when it may have to buy a second RP machine.

IMI wants to expand the "downstream" finishing and casting side of the business, enabling it to develop into rapid tooling, widely seen as the most important future development from RP.

This involves creating a few hundred or even a few thousand parts that could be used by manufacturers as tooling for a production run. Rapid manufacturing – creating a small batch of real products – is another possibility for the bureaux.

Victoria Griffith looks at a computer network's security system that has never been broken

Hacking bandits meet their match

Kerberos, the security component of the Massachusetts Institute of Technology's computer network, is an object of envy for many corporations concerned about cybernetic privacy.

While much of the computer world lives in fear of hacking bandits intent on stealing information and confusing systems, MIT is understandably smug about its campus system, the security of which has never been broken.

Kerberos was launched in the late 1980s as part of Project Athena, a collaboration between the university, Digital Equipment Corporation and International Business Machines.

Despite the attempts of some of the most ingenious hackers in the world – MIT's student population – the system's protocols have yet to fail.

This impressive track record is attracting the attention of growing numbers of companies, whose executives trek through MIT's visitor centre almost daily to see how the protocols work.

Interest has heightened as companies increasingly switch from the mainframe-based system – by which various users connect to a single computer – to the client-server model, used by MIT, which connects users to various computers. This has lead companies to tried-and-true systems on which to base their networks.

The Kerberos model operates on a few simple but important rules. When users sit down at a computer, they turn on a machine which has almost no information stored on it.

"These are essentially dataless machines," says Janet Daly, information officer for the Computer Services Centre. "They have just enough information to boot up and send your name to Kerberos."

Probably the most important commandment of Kerberos is that "passwords must never travel across networks in the clear". The reason for this is simple. If passwords move through the system unshackled, network eavesdroppers can easily pick them up to gain access to the system.

When clients type their user name and password on to the screen, the password stays put. The name then travels to the Kerberos server, which sends a unique "ticket" containing an encrypted code to the user's station.

If the user is legitimate, the password decrypts the code at the station, and the session continues. Another encrypted message is then sent to a database, separate from the Kerberos server, and if all is well again, the user is allowed to proceed.

The process happens in seconds. Separating the Kerberos server, which authenticates users, from the network's other servers adds security to the system.

But even the careful protocols of Kerberos do not guard against human error

"By having a separate Kerberos server, the number of people who have access to the security system is limited," says Jeffrey Schiller, who manages the network. "There is always the threat of an insider attack, but in our environment, only four people have access to Kerberos."

The password system does not solve all privacy problems, however.

Once communication between the user and the databases has been established, a hacker may listen to information flowing over the lines, even without knowing the user's password. If the information is sensitive or private, MIT's systems managers advise encrypting each separate piece of data as well.

Right now MIT's computer buffs are hard at work on a new version of Kerberos, to be unveiled next year.

The new generation of Kerberos will add flexibility to the system, allowing users to communicate more rapidly with other campus systems.

By complicating the rules of the game further, the new system will have the advantage of being one step ahead of the hackers.

But even the careful protocols of Kerberos do not guard against the most common security failure: human error. "We can't prevent people from giving out their passwords to unauthorised users," says Daly.

Education is therefore an important component of any secure system.

Even if users do not give out their password, they may fall victim to bandits who successfully guess what the combination might be. In the past, hackers broke codes by trying obvious choices such as users' middle names, street address or social security number. These days, users have to be even more cautious.

"Dictionary programmes can be used to crack passwords by automatically trying every word in the English dictionary until you get a match," says Daly.

"So we advise people to choose a password that does not exist in the English language. Combining letters with numbers is a good idea. Something like Snuffy7 would be acceptable," she adds.

Selecting words in foreign languages can be dangerous too, since software may soon be available for non-English dictionaries as well.

To guard against these sorts of attacks, MIT has installed a system which records how many times a machine tries to get into Kerberos under an incorrect password. By spotting systematic searches ahead of time, they can catch perpetrators before they manage to break into the network.

With companies growing increasingly fearful of hackers, systems like Kerberos will continue to attract attention.

Although the system has never failed, there is no way of knowing if it will be foolproof in a corporate environment.

But as companies strive to protect their databases, many are willing to give seasoned systems a try.

PEOPLE

Foot down on Renault's pedal

Renault's "Papa" and "Nicole" ad campaign for its Clio model has been the linchpin of the French car maker's successful drive to restore Renault's popularity with UK motorists. More than 6 per cent of all new cars sold in the UK are now Renaults – nearly double the late 1980s level – and Roland Bouchara, Papa's and Nicole's new marketing chief, reckons there is more to come.

At 36, Bouchara (right), who has succeeded Gerard Saint-Martin as marketing director of Renault UK, is one of the youngest employees Renault has ever appointed at director level to one of its national sales companies, in keeping with its aims of lowering the age profile of its UK customers.

Renault can hardly expect to keep its market share growing at the same rate as in the past couple of years – it is already nearly level with the Volkswagen group as the UK's largest "traditional" importer.

Nevertheless, Bouchara maintains that a sales ceiling has yet to be reached and figures to be released at the end of this week are expected to show that Renault last year increased its UK sales by one fifth, in a total market that grew by only around 7 per cent. Bouchara's aim is to keep up the momentum as long as possible, while consolidating the gains that have already been made.

With the next major new model, the Renault 19, not due in the UK for around a year, Bouchara, who comes to Renault's west London headquarters from a marketing role at the Ile de France regional office, will concentrate on developing customer and dealer relations as well as what he describes, somewhat enigmatically, as "creative marketing with a value-added element".

■ The wholly Renault-owned UK subsidiary has also appointed two other directors: Andrew Luck as services and quality director and Bob Gidden as director of the Swindon parts distribution centre. *John Griffiths*

Dowdy to retire from Royal Insurance

Royal Insurance announced yesterday that Michael Dowdy, group finance director, is to leave the company when his contract expires at the end of August.

Dowdy, 59, who joined the group nearly four years ago, has overseen a turnround in Royal's profits from pre-tax losses of £373m in 1991 to a profit of £311m in the first nine months of 1994.

He explains that he had joined specifically to help Richard Gamble, Royal's chief executive, to revive the group's prospects; "I regard that job as substantially done," he says. He has no firm ideas about where he might work next.

Royal says it is seeking a successor for Dowdy, who is on a renewable one-year contract paying a salary of £175,000.

Deiter Losse, chief executive of brokers Greig Fester, has been appointed chairman of Limnet, the London insurance market's electronic network. His appointment comes at the start of a crucial year for Limnet which is overseeing the introduction of a new system for placing insurance risks at Lloyd's of London and other commercial insurance markets in the capital.

As part of its restructuring and modernisation plans, Lloyd's has said that from January 1 next year all risks underwritten at the insurance market must be recorded via the electronic placing system (EPS). So far volumes transacted have been relatively low but a second version of EPS is being introduced this month.

Losse, a prominent member of the Lloyd's Insurance Brokers' Committee, says many London market insurance policy claims were now handled via Limnet and that Lloyd's had eliminated paper for reinsurance transactions outside the market. "The benefits of electronic trading in improving the competitiveness of the whole London market cannot be overstated," he says. *Ralph Atkins*

■ Stephen Sumsion, John Wellesley and Brian Wilson have been appointed directors of BOWRING MARINE.

Brigadier for PIA members

David Cranston, a brigadier, has been appointed to run the member relations division of the Personal Investment Authority, the regulator for private investors.

He takes up the post in April, succeeding another ex-army officer – Kit Jebens – who retired in December. Cranston, 49, is currently deputy chief executive of the multinational airmobile division based in Germany, and has previously served as part of the EC monitoring mission in the former Yugoslavia.

The PIA said yesterday that his lack of experience in the financial services sector would not be a handicap; his task would be to ensure that the division's staff of 200-plus worked effectively and efficiently. *Alison Smith*

■ Sir Campbell Fraser, former president of the CBI, has retired as non-executive chairman of Arlen. His departure, which came into effect on December 31, was announced last September after the electrical manufacturer and distributor returned to the black after years of loss-making.

At the end of 15 months of changes at the top, Greville Howard, 53, formerly managing director, has been appointed both chairman and chief executive, from which perspective, he says, he will oversee recovery.

A firm believer in shareholder power, Howard joined the board in September 1993 when the investment company Fortress Trust, where he is chairman, took a 25 per cent stake in Arlen. This was followed by a prolonged boardroom struggle and a restructuring which resulted in a string of resignations among incumbent directors who were gradually replaced by Howard's new management team.

Howard says an early priority is to change the company's articles of association so that any director's contract longer than six months must be approved by shareholders. *James Whittington*

Dissident takes the chair at Penna

Sir Andrew Hugh Smith, 63, the former chairman of the Stock Exchange, has taken over as chairman of Penna following a shareholder revolt at the tiny firm which specialises in finding jobs for out-of-work executives.

Sir Andrew is the best known member of a group of dissident shareholders, controlling around 26 per cent of the equity, who have ousted most of the board of Penna following dissatisfaction with its performance. The coup was organised by David Banks, 51, an ex-Chase Manhattan Banker, with the help of Peter Needham, 70, and Peter Gardiner-Hill, 68, founders of GHN, which coaches executives on how to manage their careers.

GHN, named after Needham and Gardiner-Hill, was bought by Penna last June and is the smallest bit of Penna's business, which is dominated by the Sanders and Sidney outplacement side.

Banks, who says that his own career has benefited from GHN counselling, has taken over as finance director. Needham has replaced John Beard as chief executive and Gardiner-Hill remains an executive director. Deryck Sidney, 74, one of the founders of the group, has resigned as chairman and Robert Olney and Claire Risby have also stepped down from the board.

Old Etonian Sir James Harvie-Watt, an accountant and chairman of Cannons sports club, has joined the board as a non-executive along with Daniel Owen, an entrepreneur.

■ Lord McGowan, 56, another Old Etonian who heads corporate finance at Panmure Gordon, has been appointed a non-executive director of BNB Resources, a firm of headhunters. Parry Rogers, 70, has retired. *William Hall*

LEGAL NOTICES

No 007337 of 1994

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
MR REGISTRAR BUCKLEY

IN THE MATTER OF:
WESTERN MOTOR HOLDINGS PUBLIC LIMITED COMPANY

and

IN THE MATTER OF:
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice Chancery Division dated 21 December 1994 confirming the reduction of the Share Capital of the above-named Company from £5,100,000 to £5,000,000 and the Minute approved by the Court showing with respect to the capital of the Company as altered the several particulars required by the above-mentioned Act were registered by the Registrar of Companies on 22 December 1994.

Dated this 5th day of January 1995.

Nicholson Graham & Jones
25-31 Moorgate
London EC2R 6AP.

In the High Court of Justice, No.007336 of 1994
Chancery Division. Mr Registrar Buckley
IN THE MATTER OF
INCHCAPE ESTATES PLC
AND
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the order of the High Court of Justice Chancery Division dated 21 December 1994 confirming the reduction of the Share Capital of the above-named Company from £10,300,000 to 10,000,000 and the Minute approved by the Court showing with respect to the capital of the Company as altered the several particulars required by the above-mentioned Act were registered by the Registrar of Companies on 22 December 1994.

Dated this 5th day of January 1995.

Nicholson Graham & Jones
25-31 Moorgate
London EC2R 6AR

MANAGEMENT: MARKETING AND ADVERTISING

How companies rate lobbyists

Businesses may be badly briefed on Europe, writes Tim Dickson

Britain's top companies still feel exposed when dealing with the European Union's political institutions. They admit they are not as good at spotting market opportunities in proposed legislation or regulations, whether EU or domestic, as they are at responding to threats. And they appear to be less enthusiastic about having MPs on the board.

These are some of the conclusions of a study on political lobbying carried out for the law firm Clifford Chance by NOP Corporate and Financial. Based on interviews with senior public affairs personnel in 34 out of the top 1,000 UK companies – plus a group discussion with eight corporate representatives – the research reveals a more or less even split between those who make use of in-house resources to monitor UK and EU legislation and those who rely on external advisers.

Most in the sample felt that existing arrangements left companies "adequately" or "reasonably" prepared for monitoring and influencing legislation. But there was a general feeling that minor regulations, notably from the EU, could be "missed".

"It is readily admitted that the need is greatest in assistance in understanding the workings of the EU, and legislation and regulations emanating from it," observes NOP in its summary.

Companies were also asked to rate the effectiveness of external lobbying advisers with the following results:

- Law firms. Happily for Clifford Chance, their profession's strengths are seen as being able to provide information and specialist advice, together with professional integrity. Law firms are seen as having good contacts within government and the bureaucracy. At the same time, though, they are regarded as too specialised and unable to offer a broad perspective on an issue. There were doubts about their ability to lobby, their natural cautiousness and their fees.
- PR companies. They were seen as being able to provide all round support in terms of monitoring and reacting to a situation, as well as strong on "marketing" an issue and presenting a case. But they were also perceived as superficial and lacking in depth intellectually. There were doubts about the extent to which they would wield influence.
- Political lobbyists. Not surprisingly they are regarded as the experts in the field, given their knowledge of the "system" and contacts. They were thought to be good at communicating and operating at speed if required. Their weaknesses, according to the corporate interviewees, lay in feeling that they are rather self important and that their influence may not be what they think it is. They are also thought to be expensive.
- MPs. The fashion for using them as non-executive directors "appears to have run its course", says NOP. While they were credited with having the contacts and knowing the system, they were no longer seen as an effective means of influencing legislation. One view was that they are compromised by being allied to a political party, another that they lack commercial expertise and have a narrow perspective.
- Trade associations. These are the primary source of information and influence for most companies. Their representation of a whole industry was seen as providing access to decision makers; equally that focus means they should know the sector and its issues inside out. At the same time, though, the representation of an industry view means that minority voices sometimes go unheard. Trade associations were also accused by some of being slow and retrospective in thinking.
- Management consultants. Companies saw them as good at analysing a situation and providing strategic advice – but they questioned their effectiveness on issues of public policy. Individual firms of consultants were often considered too theoretical and not perceived as having any influence in government.

Haig Simonian looks at the remarkable lack of data on worldwide consumer attitudes to green issues

Pitfalls of eco-shopping

Market research on the environment has blossomed faster than the average pollster's ability to frame suitable questions, judging by the plethora of opinion surveys on green issues.

Yet amid the forest of reports on both sides of the Atlantic, remarkably little has appeared about what consumers think.

That is surprising in view of the upsurge of green awareness and products, particularly consumer goods. Who now remembers washing powders with phosphates or the days when aerosols and refrigerators used unpronounceable gases called CFCs?

Yet in an era of global brands, multinational consumer goods companies and cross-border retailers, information on attitudes to green matters is essential. How else can manufacturers discover whether a German housewife is more prone to spend a few extra pfennigs on an environmentally-friendly product than her Dutch counterpart? And how can consumer goods companies judge the effectiveness of cross-border television advertising without comparative data about the sensitivity of their target audiences?

Peter Stisser, vice-president of Roper, Starch Worldwide, a US opinion research group, agrees there are still gaping holes. "A Swedish client may think that because the environment is a big issue in his country, it will also be relevant elsewhere. Moreover, the environmentally-aware consumer is not the same person in different countries. In the US and Canada, environmentalism is predominantly middle-class. But in Latin America, it is much more a rural and blue-collar concern."

Virtually all the available data, particularly concerning consumers, are national. Big UK-based market researchers, such as Mintel, Mori and Gallup, have conducted regular surveys on British views on the environment, as have more specialised research outfits, such as SustainAbility.

In the US, ORC and RSW prepare regular polls on broad environmental issues. Their work has been supplemented by the more focused groups such as Cambridge Reports/Research International.

Internationally comparative data, however, are conspicuous by their absence. In western Europe, information is limited to the European Commission's Eurobarometer polls. Eurobarometer, however, has only tackled the environment fitfully and avoided consumer questions altogether until 1992.

On the face of it, much of the existing data appear contradictory. UK research suggests that green concern has waned since its peak in the early 1990s as issues such as the ozone layer have gone off the boil.

A Mintel survey last month showed an 11 percentage point drop in British anxieties about environmental issues between 1990 and 1994. Similar work by Mori in September indicated an 8 percentage point decline in the number of consumers who selected products on environmental grounds from a peak in 1990.

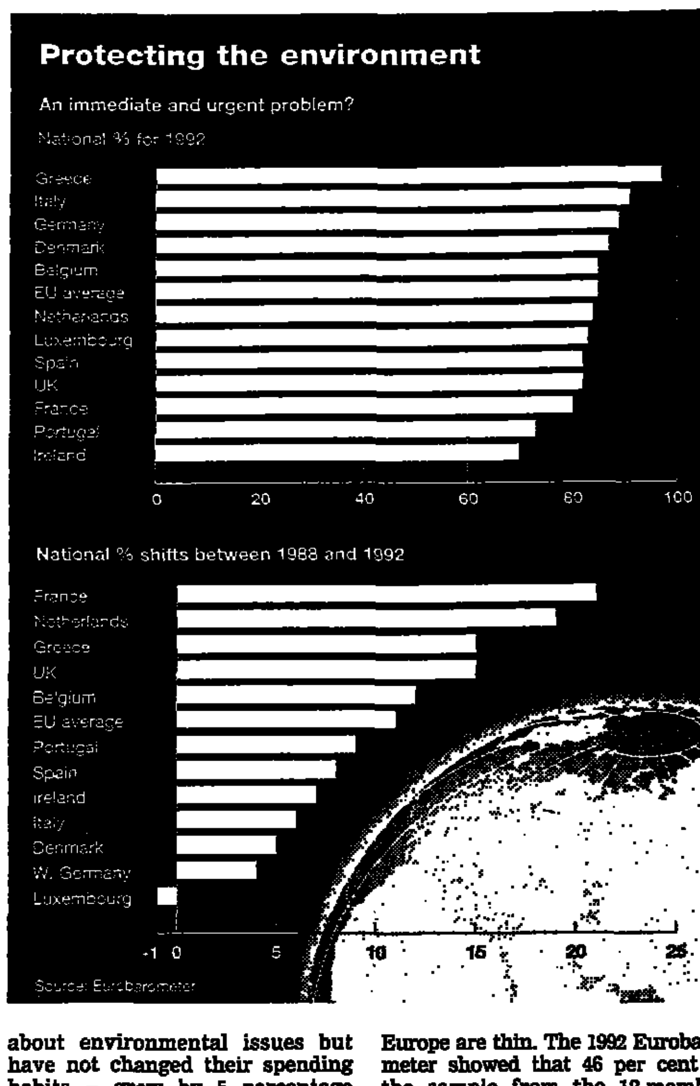
US data are similar. The latest Green Consumerism survey by Cambridge Reports in November 1994 showed the environment's ranking in terms of "most important issues facing the US" slipped during the 1990s. Even the number of "greens" – defined as those who strongly identify with the term environmentalist and give time and money to an environmental organisation – had fallen to 10 per cent from a 13 per cent peak in July 1992.

"Concern about the environment among consumers declined in the 1990s as the recession and unemployment took priority," says Bob Worcester of Mori. Worcester talks of the "alligator principle": "When you're up to your neck in alligators [such as the risk of losing your job], you don't worry a lot about acid rain." Stisser suggests growing confusion as the environmental debate has become more sophisticated.

Angela Hughes, Mintel's consumer research manager, attributes the fall partly to the increased availability of environmentally-friendly products. "Green shopping has entered the mainstream. It no longer requires a conscious decision," she says.

Eco-shopping is most prevalent in the US. According to Susan Lilly, a research analyst at Cambridge Reports, about 70 per cent of Americans have altered their daily shopping habits and personal behaviour out of concern for the environment.

While concerns may have fallen, popular awareness of environmental issues has gone up, according to Mintel. Its survey showed an 8 percentage point fall in the number of those who said they were either unaware of, or unconcerned about, green issues between 1990 and 1994. Meanwhile, the number of "armchair greens" – who say they care about environmental issues but have not changed their spending habits – grew by 5 percentage points.



All the surveys suggest consumers are prepared to spend more for green products. In Mintel's survey, shoppers were prepared to pay a premium for environmentally-friendly foods between 10p and 16p, depending on the consumer's age. For toiletries and cosmetics, the premium peaked at more than 20p for those aged 25-34.

Comparative data for western Europe are thin. The 1992 Eurobarometer showed that 46 per cent of the sample from the 12-member states were prepared to buy an environmentally-friendly product, even if it were more expensive. The range varied from 75 per cent of those asked in the former west Germany and Portugal to 53 per cent in the former east Germany.

The same applies in the US. More than 75 per cent of those asked said they would pay at least 5 per cent more for environmentally-friendly detergents and household and garden products, or for products made out of recycled materials, according to Cambridge Reports.

The "green shopping" issue has already been addressed by manufacturers and retailers, says Karen Blumenfeld, director of the Environmental Business and Strategy Practice at Arthur D Little in the US. After a "first wave" of action by manufacturers to address the onset of environmentalism a decade ago, she identifies a "second wave", in which environmental concerns have become part of companies' basic product development procedure.

However, even market researchers warn against reading too much into the limited findings available. A positive reply to a pollster's question about readiness to pay more for a product does not always translate into action, notes Hughes.

"Consumers want to be environmentally friendly, but they want it to be made easy," she says. "Products must be as good as less green alternatives, as readily available, and, ideally, no more expensive."

The increased interest in green goods has also led to upsets as unscrupulous manufacturers have climbed aboard the eco-bandwagon, according to Blumenfeld. Many companies have clashed with state attorney-generals, who are responsible for consumer issues, or the Federal Trade Commission after complaints about exaggerated environmental claims.

"There is a lot of cynicism out there," notes Stisser. "We're no longer telling manufacturers to have the environment as part of their international marketing statement because so many others are doing it."

There are exceptions, he says. "In foods and chemicals, stressing a company's environmental position will never cause damage. But in most other industries, multinationals need to find out what are the relevant social concerns in each country they operate."

Globally-operating producers ignore such warnings at their peril. Shoppers will increasingly demand more information on the environmental histories of products and their manufacturers, says Hughes. Worcester thinks environmental concerns will gain prominence as economies move out of recession.

The challenge will be in product development, believes Blumenfeld. "Companies will increasingly be asking themselves; how do you make a product which differentiates itself in some positive way, such as price or performance, while still being environmentally-friendly?"

A first step might be to find out more about what consumers think and are prepared to pay for. That means more market research, ideally across national frontiers, to supplement the meagre fare now available.

هكذا من الأصل

ARTS

Cinema/Nigel Andrews

Pulping the genres

In Edinburgh three flatmates try to dispose of a dead fourth. In Los Angeles a steel-clawed janitor terrorises the actress who once played his victim. In the Midwest a girl with giant thumbs joins a band of feminist cowgirls. In Paris a pornography-writing ex-nun becomes involved with international crooks. In deep space two explorers find an extraterrestrial model for Ancient Egypt.

Scheherezade, on an overdose of hallucinogens, could not have come up with five taller stories. But in the age of pandemic post-modernism we must take it in our stride: mix-and-match movies, many feeding on movie culture itself, are all around us.

Stargate, the one about Egypt in space, has been the surprise Christmas hit in America. It is Lotusland's answer to the Lord Mayor's Show: showing how much pomp, glitter and multi-referential pageantry can be packed into one not over-costly spectacle.

The writer-director is Roland Emmerich, who established his sci-fi credentials with the Lundgren-Van Damme *Universal Soldier*. Now he sends Colonel Kurt Russell (laconic manner, lavatory-brush haircut) and linguistics scholar James Spader (specs, long hair, stammer) through the "stargate" – a shimmering time-space barrier – to a parallel world of deserts and pyramids, of tribal rebels and jackal-helmeted militia.

This is ruled over by Jaye Davidson as Ra. Since Davidson was the boy-girl in *The Crying Game* he is cast for heavy-duty androgyny here: an evil, epicene prince surrounded by capering catamites.

The two black marks we award for homophobia are the film's only demerits. Its venturesome line of enquiry – did aliens "found" our Ancient Egypt? – allows *Stargate* to begin as *2001* meets *Land Of The Pharaohs*, before turning into *Mad Max* meets *Lawrence Of Arabia*. For 121 minutes nearly all is plagiarism, but in the post-modern age that counts as creative sophistication.

STARGATE (PG)
Roland Emmerich

SHALLOW GRAVE (18)
Danny Boyle

WES CRAVEN'S NEW NIGHTMARE (15)
Wes Craven

EVEN COWGIRLS GET THE BLUES (15)
Gus Van Sant

AMATEUR (15)
Hal Hartley

TIME COP (18)
Peter Hyams

There is, besides, a wonderful crazed energy. By the time the plot reaches nuclear countdown (sic) and everyone is metamorphosing before our eyes (gift of digital trickery) and Planet Egypt is erupting with flying pyramids and fighter planes, we are in a seventh heaven of genre pulp; and the greater the number of genres getting pulped the richer the time we have.

By comparison *Shallow Grave* seems realistic, even focused. If this high-Gothic black comedy had opened a week ago, it would have been the best British film of the year. We quickly accept that our three young flat-sharers – volatile Alex (Ewan MacGregor), flame-haired Juliet (Kerry Fox) and swottish David (Christopher Eccleston) – have a strange way of interviewing prospective fourth tenants. "Leveraged buy-outs, good or bad thing?" they snap at the hapless supplicants; or, "When you sacrifice a goat…".

We accept, too, that chosen new flatmate Hugo (Keith Allen) will die by drug overdose and leave a suitcaseful of money. After that, writer John Hodge and director Danny Boyle make their one questionable move. Why, if the trio want the loot, do they not steal the suitcase and hand the body over to the police? (It is not as if they have murdered Hugo). Instead they feel obliged to dispose of the corpse.

Swallow that and you swallow, even relish, the rest. We move into disfigurement, burial, madness and revenge. None of this is disagreeably in-your-face: the worst excesses happen off-frame, leaving the "drama" to facial reaction, skewed expressionist lighting or surreal developments such as crazed David's retreat to the attic, where he drills spying pinholes.

From here he jealously watches the intimacies of Alex and Juliet while monitoring the visits of hoodlums (wanting the money) and police (wanting Hugo). Better still, the attic-prowling movie camera turns those pinholes into light-sources, making David's space a cave of rakish-angled luminous stalagmites, a grotesque contour map of his own mind.

Shallow Grave grows into a prickly, inventive black comedy: a film with the talent to speed around storytelling corners without sacrificing balance and direction.

Wes Craven's New Nightmare fails to move deftly or to build on a cunning premise. What if Freddy Krueger, fictive fiend with steel fingernails, returned to haunt the actress who in the saga's first, best film played his near-victim? She is Heather Langenkamp, cast as herself. Here, too, is director Craven playing Craven, and Robert "Freddy" Englund appearing both as himself and as the pizza-faced slayer.

"The only way to stop him is to make another movie!" says someone of the fiend. So the plot is: can they, should they, will they?

We wish they hadn't. If Craven wanted to bring Pirandello to the slasher film, he needed a sharper wit and sharper dramatic talons. A few frissons aside – notably the capping of two nightmare sequences by awakening their victims into the worse nightmare of a Los Angeles earthquake – the Elm Street series maintains its unenviable record: that of having added scarcely a single memorable new horror idea to a first film that was bursting with them.

"Give me some of that old-fashioned normality," says someone in *Even Cowgirls Get The Blues*; "it was good enough for Crazy Horse, it's good enough for me".

Not good enough, though, for film-maker Gus Van Sant. His way with normality in *My Own Private Idaho* was to skewer it and hang it up in the wind, where it fluttered lyrically and memorably. Here, unhappily, he has caught a dose of the Wes Cravens. Having gone daringly far in his former film, he tries to go further but has not brought enough ideas for the journey.

As this epic whimsy proceeds – telling of a large-thumbed, free-spirited girl (Uma Thurman) who hitches her way to Utopia by befriending (in short order) Keanu Reeves, William Burroughs, "Countess" John Hurt and a band of semi-Sapphic mid-western cowgirls – we feel we are moving not forwards but backwards.

The destination is Seventies hippyism. The film is based on a cult novel by Tom Robbins that Van Sant has dreamed of filming for 15 years. So we sense that saddest of all projects: the long-cherished dream only realised when it is past its dream-by date.

Hal Hartley's *Amateur* is horribly similar. A film-maker acclaimed for his loopy perspective on human relationships – *Trust, The Unbelievable Truth* – decides he must get even loopier. Isabelle Huppert is the ex-nun who writes sex stories. Martin Donovan is the amnesiac with whom she joins forces to battle a group of gangsters. The screen fills up with murder, eroticism and non-sequitur.

If this sounds promising, imagine it scripted by Beckett and directed by Bresson. Even then it might have depth, if not dynamism. Instead *Amateur* has a remorseless deconstructive self-consciousness, full of flippant dialogue and narrative frame-breakings trying to pixillate dramatic inertia. If this is post-modernism, time for a new ism.

Timecop posits pre-modernism. Jean-Claude Van Damme keeps whooshing into the past to stop evil time-travellers tinkering with destiny. All the main characters meet themselves at earlier stages in their lives, which at least joins with the week's theme of mass regression. Here, as in *Stargate*, the journeyings are foolish but fun.

Dr Daniel Jackson (James Spader) and Colonel Jonathan 'Jack' O'Neil (Kurt Russell) at the Stargate

Dance/Clement Crisp

Cinderella

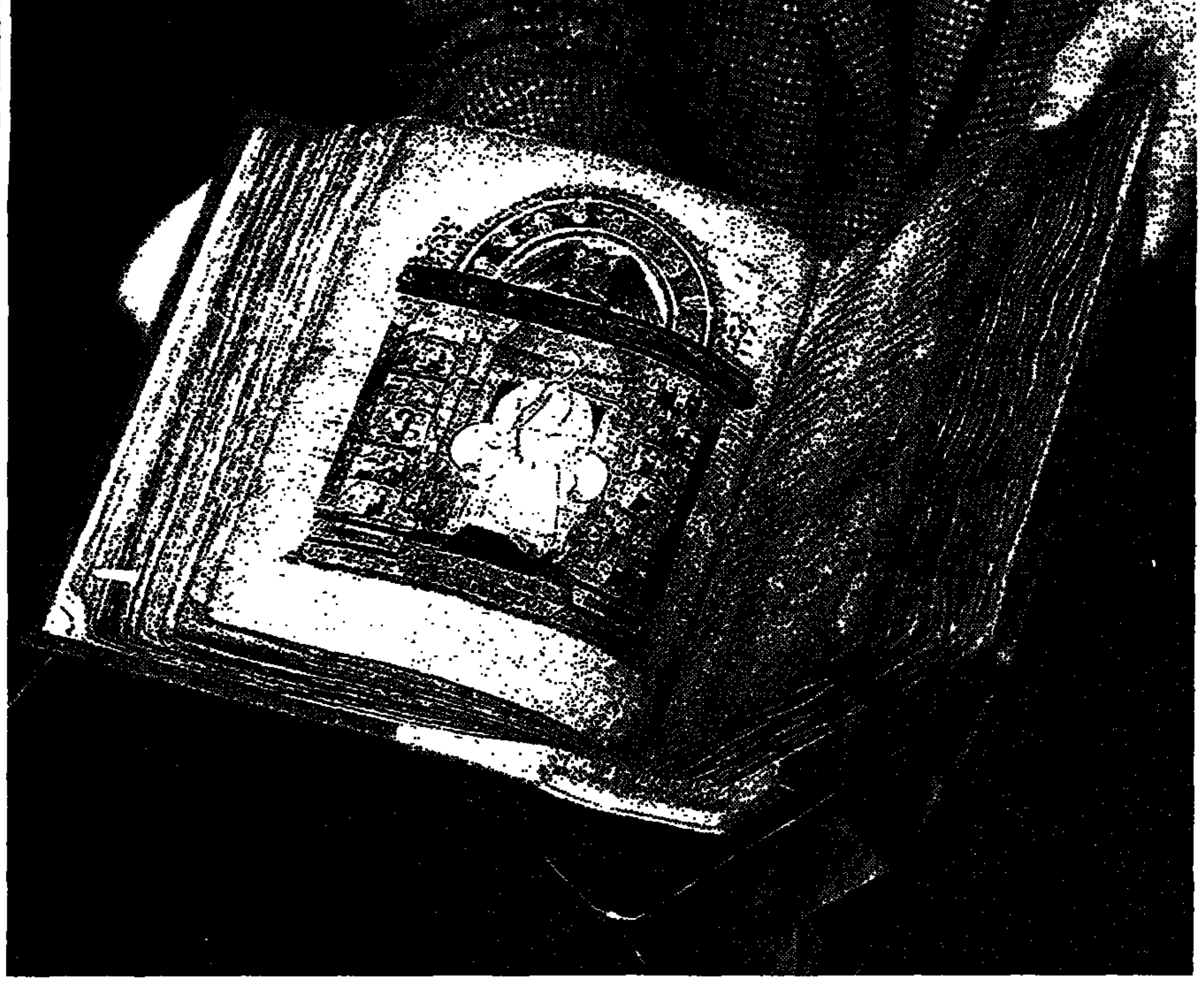
Watching Lesley Collier as Cinderella on Tuesday night at Covent Garden, I was fascinated by the present grace of her dancing. Reference books tell us that she *has* been a *member* of the Royal Ballet for 30 years, during which time a bright-footed young soloist – who could cut Petipa's diamond solos with the most brilliant facets – grew into a leading artist who has done wonderful things. She is now at that precious moment in a ballerina's career when she can command every skill with a maturity of understanding that makes no concession to the years.

It is the dancer's tragedy that physical ability and physical wisdom too seldom coincide – *si jeunesse savait, si vieillesse pouvait* is the motto – but Collier happily demonstrates how the two may combine. She is an exemplar of Ashtonian style, and her Cinderella is loving proof of her delight in his choreography. It is a reading marked in emotion and technique by a musical sensibility of the highest order, by lucidity of means, by a kind of delicious modesty. She forces nothing, neither step nor feeling, and draws a totally satisfying portrait by what seem the simplest effects, but which are in fact the product of her 30 years' stage-wisdom.

So, in the kitchen, each pose, each phrase, is beautifully clear, sweetly exact: she hears music as Ashton did, and the choreography is illuminated thereby. (The little dance with the broom was a marvel). In the ballroom, the variations, the duet (Bruce Sansom a handsome, attentive prince), moments of wonder or gaiety, are done with a lovely decorum. Nothing is taken to extremes and thus the ballet has its heart in the right place. It is an interpretation felicitous throughout, and one to honour.

Cinderella finds Ashton at his most imaginative in making classical dances, and the ensemble of stars was fine. Among the season fairies, each blessed with a lustrous variation, only the joyous Sara Gallie as Spring produced that charm of physical personality which must colour the choreography. The other seasons seemed to be there on calendar duty rather than for any joy in the dance.

Cinderella's problem for many years has been the Ugly Sisters, and the present incumbents (David Drew, Oliver Symons) are no more convincing than their predecessors in creating comedy or character out of ideas that were only funny (but, ah! how funny they were) with the Helpmann and Ashton originals. Both casting and capers need urgent renewal. The second act ballroom set – with its pie-crust architecture and loathsome tints – needs a dustbin.



Celebration of a seat of learning

The Cantebury Gospels (left), one of the oldest manuscripts in the country, is currently at Christie's – but it is definitely not for sale. It is one of many rare objects on show at the King Street, St James's auction room as part of the Campaign for Cambridge, which started in 1989 and aims to raise £250m for the university by 1999. The campaign has already raised £140m.

The exhibition – *The Foundations for the Future* – is designed to demonstrate the intellectual contribution made to the nation by the university over seven centuries.

There are sections devoted to the work of Newton, including his annotated first edition of *Principia Mathematica*; to Darwin, with zoological specimens that he gathered on his *Beagle* trip; plus Crick and Watson and the discovery of the structure of DNA; Rutherford's splitting of the atom; Babbages's "difference machine", the precursor of the computer; Hawkings's work on black holes, and more.

The Canterbury Gospels is the highlight of the display. Dating from the sixth century, the manuscript is believed to be among the books that Pope Gregory gave to St Augustine before he set out from Rome in order to convert the English to Christianity. It only leaves Cambridge when it is used at the swearing in of a new Archbishop of Canterbury.

Among the other exhibits are Tennyson's manuscript of his poems, *In Memoriam* and *The Lady of Shalott*; the radio transcripts of Douglas Adams' *The Hitchhiker's Guide to the Galaxy*; and a Maori paddle collected by Cook on his Pacific voyages and now in the Cambridge Museum of Archaeology. There are also paintings and manuscripts from the Fitzwilliam Museum and various colleges.

The exhibition continues until January 25 and admission is free. Sir Anthony Tennant, chairman of Christie's International, is on the board of the foundation organising the appeal. In January there are no major sales in the main King Street auction room.

The *Foundations for the Future* exhibition has taken two years to prepare but there are no plans to tour it after the short stay in St James's. Some critics have condemned the university for popularising its work in this way but with the costs of running Cambridge exceeding £200m a year, and government funding unlikely to increase, the development office sees no feasible alternative to setting up its stall in the market place.

● *William Packer will review the exhibition in full next Tuesday*

INTERNATIONAL ARTS GUIDE

AMSTERDAM

CONCERTS
Het Concertgebouw Tel: (020) 671 8345
● European Baroque Orchestra: Wieland Kuijken conducts Telemann, Muffat and Bach at 8.15 pm; Jan 8
● Royal Concertgebouw Orchestra: with violinist Sarah Chang. Charles Dutoit conducts Berlioz, Lalo, Stravinsky and Ravel at 8.15 pm; Jan 5, 8
GALLERIES
Van Gogh Museum Tel: (020) 570 5200
● Odilon Redon: retrospective of the French artist's work; to Jan 14
OPERA/BALLET
Het Muziektheater Tel:(020) 551 8922
● L'Italiana in Algeri: by Rossini. Produced by Dario Fo, conducted Alberto Zedda at 8 pm; Jan 13, 15 (1.30 pm)

BERLIN

OPERA/BALLET
Deutsche Oper Tel:(030) 341 9249
● Ballet Evening: premiere of works by Debussy, Poulenc and Stravinsky. Conducted by Sebastian Lang-Lessing, choreography by Nacho Duato, Glen Tetley and Harris Mandafounis at 7 pm; Jan 14 (6 pm)
● Der Rosenkavalier: by Strauss. Conductor Jiři Kout, production by Götz Friedrich at 6 pm; Jan 8, 15
● Zar und Zimmerman: by Lortzing. Conducted by Hans Hilsdorf, produced by Winfried Bauernfeind at 7 pm; Jan 10, 13 (8 pm)
Staatsoper Unter den Linden Tel: (030) 2 00 4762
● Die Zauberflöte: by Mozart. Conductor Daniel Barenboim, production by August Everding at 7 pm; Jan 7

BRUSSELS

CONCERTS
Philharmonique de Bruxelles Tel: (02) 507 84 34
● Abdel-Rahman El-Bacha: pianist plays Chopin at 8 pm; Jan 11
● Belgian National Orchestra: with soprano Zsuzsa Misura, baritone Andras Molnar and conducted by Yuri Simonov plays Wagner at 8 pm; Jan 12
● Monnaie Symphony Orchestra: with the Monnaie Choir conducted by Antonio Pappano plays Brahms at 8 pm; Jan 8
GALLERIES
Musée d'Ixelles Tel: (02) 511 90 84
● Gainsborough to Ruskin: British landscape drawings and watercolours from the Pierpont Morgan Library in New York; to Jan 15 (Not Mon)

LONDON

CONCERTS
Barbican Tel: (071) 638 8891
● London Symphony Orchestra: conducted by Ivan Fischer plays Dvořák at 7.30 pm; Jan 12
● Royal Philharmonic Orchestra: conducted by Bramwell Tovey plays Mendelssohn, Handel, Bruch and Beethoven at 8 pm; Jan 7
Queen Elizabeth Hall Tel: (071) 928 8800
● Messiah: by Handel. James Gaddarn conducts the London Orpheus Orchestra and the London Orpheus Choir at 7.30 pm; Jan 15,
● Orchestra of the 18th Century: with conductor Frans Bruggen and soprano Cyndia Sieden plays Haydn, Mozart and Beethoven at 7.45 pm; Jan 12
GALLERIES
Hayward Tel: (071) 261 0127
● The Romantic Spirit in Romantic Art 1790-1990: examines work of early Romantic painters. Includes section on German Expressionists; to Jan 8
Tate Tel: (071) 887 8000
● James McNeill Whistler: major survey of the Victorian painter and designer; to Jan 8
OPERA/BALLET
English National Opera Tel: (071) 632 8300
● Figaro's Wedding: in house debut for conductor Derrick Inouye at 7 pm; Jan 11, 14
Royal Opera House Tel: (071) 340 4000
● Cinderella: music by Prokofiev. Created by Fredrick Ashton in 1948, this was the first full-length ballet by an English choreographer at 7.30 pm; Jan 14
● Othello: by Verdi. Conductor Carlo Rizzi, director Elijah Moshinsky. In Italian with English surtitles at 7.30 pm; Jan 13
● Swan Lake: by Tchaikovsky. Choreographed by Marius Petipa and Lev Ivanov, production by Anthony Dowell at 7.30 pm; Jan 5
THEATRE
National, Lyttelton Tel: (071) 928 2252
● Out of a House Walked a Man: by Daniil Kharms. A Royal National Theatre and Theatre de Complicite co-production of a collection of musical scenes by the Russian absurdist writer at 7.30 pm; Jan 7 (2.15 pm)
● The Children's Hour: by Lillian Hellman, directed by Howard Davies at 7.30 pm; Jan 9, 10 (2.15 pm) , 11

NEW YORK

GALLERIES
Brooklyn Museum Tel: (718) 638 5000
● Indian Minature Paintings: 80 jewel-like paintings from the 15th -19th century; to Jan 8 (Not Mon)
Metropolitan
● Origins of Impressionism: 175 paintings by Parisian artists of the 1860's; to Jan 8 (Not Mon)
● William de Kooning's Paintings; to Jan 8 (Not Mon)
Museum of Modern Art Tel: (212) 708 9480
● Cy Twombly: Comprehensive retrospective of the contemporary American artist; to Jan 10
OPERA/BALLET
Lincoln Center Tel: (212) 721 6500
● Heather Watts Final Performance: New York City Ballet principle dancer Heather Watts gives her last performance in George Balanchine's 'Bugaku' and Peter Martins' 'Valse Triste' at 7 pm; Jan 15
Metropolitan Tel: (212) 362 6000
● Die Fledermaus: by J. Strauss. Sung in German with English dialogue at 8 pm; Jan 5, 7, 11, 14 (1.30 pm)
● L' Elisir d' Amore: by Donizetti. Produced by John Copely, conducted by Edoardo Müller at 8 pm; Jan 6, 9, 14
● Le Nozze di Figaro: by Mozart. Produced by Jean-Pierre Ponnelle, conducted by James Levine at 8 pm; Jan 12
● Madama Butterfly: by Puccini at 8 pm; Jan 7, 10, 13
THEATRE
Richard Rodgers Theatre Tel: (212) 307 4100
● A Christmas Carol: engaging one man show of the classic with Patrick Stewart at 8 pm; to Jan 8

PARIS

CONCERTS
Champs Elysées Tel: (1) 47 23 37 21/47 20 08 24
● Choir and Orchestra of the Kirov Opera: with soprano Valentina Tsidipova, mezzo-soprano Olga Borodina, tenor Gegam Grigorian and conductor Valery Gergiev plays Verdi's 'Requiem' at 8.30 pm;Jan 10
GALLERIES
Grand Palais Tel: (1) 44 13 17 17
● Gustave Caillebotte: retrospective of the painter and patron of art who belonged to the circle of impressionists; to Jan 9
Institut du Monde Arabe Tel: (1) 40 51 38 38
● Delacroix in Morocco: Delacroix's visit in 1832, when he was 34, made a lasting impression on his art; to Jan 15 (Not Mon)
Musée d'Orsay Tel: (1) 45 49 11 11
● Forgotten Treasures from Cairo: a rich collection of works by Ingres, Courbet, Monet, Rodin, Gauguin and others; to Jan 9 (Not Mon)
OPERA/BALLET
Châtelet Tel: (1) 40 28 28 40
● Christina Hoyos: Flamenco choreographed by Hoyos, Marin and Galia, music by Paco Arrigas at 8.30 pm; to Jan 7

WASHINGTON

CONCERTS
Kennedy Center Tel: (202) 467 4600
● National Symphony Orchestra: with soprano Elizabeth Futral, mezzo-soprano Claudine Carlson and the Choral Arts Society of Washington. Leonard Slatkin conducts Ravel and Mahler at 8.30 pm; Jan 12, 13, 14
● Yo-Yo Ma: the cellist along with pianist Emanuel Ax, violinist Pamela Frank, clarinetist Paul Meyer and flutist Euginia Zukerman plays Brahms and Schoenberg at 8.30 pm; Jan 11
GALLERIES
National Gallery Tel: (202) 737 4215
● Roy Lichtenstein: A survey spanning four decades of the American Pop artist; to Jan 8
OPERA/BALLET
Washington Opera Tel: (202) 416 7800
● Semele: by Handel. Conductor Martin Pearlman. Roman Terleckyj directs a Zack Brown production at 8 pm; Jan 7 (7 pm), 9 (7 pm), 13
● The Bartered Bride: by Smetana. Conducted by Heinz Fricke. In English at 8 pm; Jan 8 (2 pm)
● Vanessa: by Samuel Barber. Director Michael Kahn, conductor Christopher Keene at 8 pm; Jan 14 (7 pm)

WORLD SERVICE

BBC for Europe can be received in western Europe on Medium Wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV

(Central European Time)
MONDAY TO FRIDAY
NBC/Super Channel: FT Business Today 1330; FT Business Tonight 1730, 2230

MONDAY
NBC/Super Channel: FT Reports 1230.

TUESDAY
Euronews: FT Reports 0745, 1315, 1545, 1815, 2345

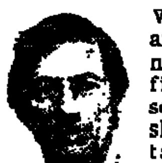
WEDNESDAY
NBC/Super Channel: FT Reports 1230

FRIDAY
NBC/Super Channel: FT Reports 1230
Sky News: FT Reports 0230, 2030

SUNDAY
NBC/Super Channel: FT Reports 2230
Sky News: FT Reports 0430, 1730;

Ian Davidson

Action plan to cut the Euro-nonsense



With the arrival of the new year, we find ourselves within shouting distance of the European Union's intergovernmental conference to revise the Maastricht treaty, due in 1996.

From mid-year, the governments start negotiating the agenda for the conference. But since this will largely determine the possible outcomes of the event itself, the 1996 conference is really going to start halfway through 1995.

So if we want to avoid the worst horrors that attended the Maastricht treaty, we have to do some homework. We cannot afford another laborious multidimensional negotiation, where governments emerge from the fog with an ill-considered, incomprehensible package deal, and are surprised when the voters turn against it. This time we must keep an eye on the stupidities of governments, before their worst efforts are set in concrete.

So, as my contribution to the new year, I have assembled a short list of recent, not-so-recent and forthcoming books, which may be useful to the alert citizen for the prevention of Euro-nonsense.

First stop, of course, is a copy of the 1992 Maastricht treaty, since that is what the 1996 conference is called to revise. The best version is the official consolidated *Treaty on European Union – EC Treaty*[1] published in 1993. At least it combines the old and the new in a single volume, and is the essential legal reference: unfortunately it is still an incoherent mishmash, because that's the way they negotiated it.

To make sense of the treaty, the ordinary person needs a guide. Fortunately, there is now available a comprehensive handbook to Maastricht, called *European Union and European Community*[2], which goes right through the treaty article by article, with ample commentary at every phase, illuminating the real-life context of the implementation of European policy. Ostensibly this is an academic textbook for university students, but it deserves a wider general readership.

The next book on my list, *Maastricht and Beyond*[3], is a collection of essays on different functional aspects of the treaty, what it means, and what issues it raises: the negotiations, ratification, economic and monetary union, etc. This is slightly serious stuff: but for anybody who wants penetrating expert analysis, edited by three of Britain's most authoritative Euro-watchers, this is essential reading.

The difficulty with understanding the European Union is that it is much more than a collection of legal texts. And it's not always easy to recommend a book about Europe for a Euro-phobe, because the best ones are usually written by

This time we must keep an eye on the stupidities of governments

pro-Europeans: they are more interested in the subject. Even the title of John Lambert's book *Solidarity and Survival: a Vision for Europe*[4] is resonant with commitment. He is a convinced pro-European with strong Green edges, who has spent 30 years in and around Brussels, and this is in some sense a personal testament.

By contrast, D.M. Harrison's *The Organisation of Europe*[5], which appears later this year, is safer fare for a Euro-phobe. It treats the EU more neutrally, as a market first and foremost, with useful analysis of the single market, Emu, agriculture, etc. Its concluding, philosophical chapter ("What is European integration?") is detached, almost sceptical.

The European Union was not created by scepticism, however, but by political inspiration, commitment and determination. If any one man epitomised those qualities, it was Frenchman Jean Monnet, once known as the Father of Europe. François Duchêne's new biography[6] is perfectly timed, since the 1996 conference will provoke passionate debates between the pros and the antis, over the legacy of Monnet and whether it is still valid for Europe today. Anyone who is seriously interested in the question will need to go back to the beginning.

The best way to start will probably be this biography, which starts with Monnet's work on both sides of the Atlantic in the first world war, and ends with his death in 1979. What stands out from his role in the founding of the Community, is that he was often misguided on specifics. For example, he stuck so firmly to the idea that Europe should be built on sectoral integration that he put great hopes in a specialised nuclear energy community (Euratom), which inevitably failed; but he was less interested in the general common market, which proved to be the foundation of today's Union.

And yet, as Duchène makes clear, Monnet was right on the essentials of integration, because he changed the agenda and he changed the way people thought and acted. This is a widely researched biography that will long remain the authoritative account; and it carries greater weight from the fact that Duchène worked personally with Monnet in the 1950s and 1960s. It is perhaps a pity that the author has virtually suppressed any acknowledgement of his own role in those momentous times; and yet he has given us a deeply-felt story, whose intensity occasionally breaks through with greater effect.

[1] Treaty on European Union – EC Treaty, Office for Official Publications of the European Communities, Luxembourg, 1993. [2] European Union and European Community, Clive Church and David Phinnemore, Harvester Wheatsheaf, 1994, £15.95. [3] Maastricht and Beyond, ed Andrew Duff, John Pinder and Roy Price. Routledge, 1994, £40 (hbk)/ £12.99 (pbk). [4] Solidarity and Survival: a Vision for Europe, John Lambert, Avebury, 1994, £32.50. [5] The Organisation of Europe, D M Harrison, Routledge, March 1995, £37.50. [6] Jean Monnet, François Duchêne, Norton, January 1995, £22

ECONOMIC VIEWPOINT

The other side of the trade coin

By Samuel Brittan

Natura non facit saltum. Nature does not move in leaps. That was the motto the late Victorian economist Alfred Marshall solemnly put at the head of his *Principles*. This may be true of basic economic processes. But human perceptions of them do indeed leap around very rapidity.

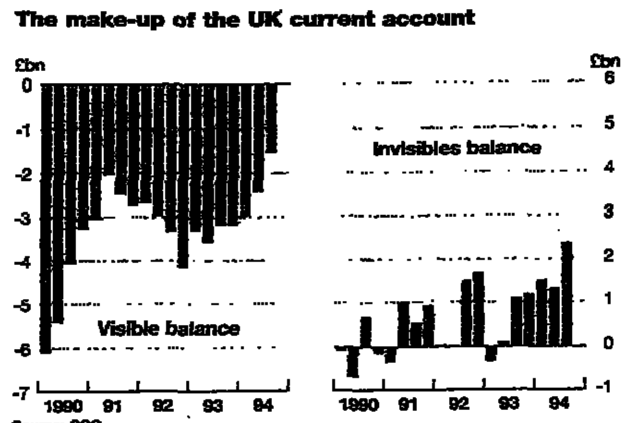
Who would have thought, for instance during most of 1994, when the more sombre commentators were still bathed in gloom about the deep-seated weakness of the UK balance of payments, that the Central Statistical Office would announce as a pre-Christmas present on December 22, a third-quarter current account balance of payments surplus at an annualised rate of £3.2bn, the first such surplus for 7¼ years? Well into last summer the standard prediction from the 38 independent forecasts collated by the Treasury, was of a payments deficit of £12bn for 1995.

According to one mainstream forecast, Cambridge Econometrics, the current account will still be in small deficit in 1995 before moving into surplus from 1996 onwards. Of the forecasters polled by the Treasury, only five had the courage, as of last December, to forecast a surplus for 1995. Yet events have a habit of getting ahead of the forecasters.

There could still be lurches in both directions; the raw figures show only a bare balance which turns into a surplus after seasonal correction. But the striking feature is that it is part of an improving trend, in sharp contrast to anything that had been expected by the Treasury or most forecasters. The improvement has been apparent in both visible and invisible overseas earnings. Both exports and imports rose in volume, but exports rose faster – the opposite of the typical picture of the British economy.

These trends are particularly remarkable because they have been achieved at a time when UK growth has been above trend, but Britain's main trading partners in Europe have just begun to pick themselves off the recession floor. This combination would in the past have resulted in an increasing deficit. The move into surplus has indeed reflected the 1992 depreciation, when sterling was forced out of the exchange rate mechanism; but there have been many other devaluations without such results. The drastic running down of the British government's underlying Budget deficit may be even more important, but only so far as it raises national savings relative to domestic investment.

The make-up of the UK current account



Source: CSO

Is it possible that the balance of payments surplus could seem to become too much of a good thing? For those who worry about such things, the answer is, 'Quite easily, yes.' As the current balance is the imperfectly measured difference between huge flows in both directions, it will not take much to transform a deficit worrier into a surplus worrier.

There are, of course, differences, because surpluses are regarded as worthy and deficits disgraceful. So worry about a surplus might take a more indirect form. The most obvious worry would be if a surplus were associated with a rising pound. I still have files full of letters, dating from the last time we had this combination, in the early 1980s, from manufacturers complaining of the devastation that a high pound had brought on British industry.

But even if the pound does not rise, political grumbling could emerge. Some commentators will start saying that even exports should not have all the best times, and that it is time that British consumers were allowed to experience a feel-well factor. This, of course, would be the instinctive reaction of many Tory MPs.

From an economic point of view a further distinction matters. That is whether an export-led expansion is so rapid as to impose an inflationary threat, or whether it is not. In all these cases the "executive summary" is the same. "Sit back and enjoy the surplus so long as it lasts, as measures to counteract it will be extremely foolish."

But for those who want to probe further I have put the main possibilities into a four-cell diagram, showing a payments surplus being accompanied either by a rising or a stable pound and with or without an inflationary problem. These do not exhaust the possible combinations; but it makes for clarity to concentrate on the most likely cases.

The situations shown in cells A and B in the first row are clear from a policy point of view. If the pound is stable and there is no inflationary pressure, as in cell A, leave the surplus alone and do nothing. The gain from the surplus will come from a rise in net UK overseas assets. Similarly there is no policy conflict – merely a test of political will – in the case of cell B. If the upturn in export demand is creating clear inflationary pressures, the appropriate response is an increase in interest rates.

Accompaniments of a surplus

	No inflationary pressure	Inflationary pressure
Stable £	A	B
Rising £	C	D

A dilemma begins to emerge in cell C, where there is a rising pound and no inflationary pressure. There will then be a lot of industrial lobbying for lower interest rates to put a brake on sterling, which will be reinforced by political proponents of domestic relaxation. But these pressures should be resisted. If the economy is growing normally, reducing interest rates will stoke up inflationary pressure unnecessarily. The rising pound will itself improve the lot of the consumer by keeping domestic prices lower than they otherwise would be.

The biggest dilemma is represented by cell D. Here a rising pound will lead to calls for interest rate cuts, but rising inflationary pressures will lead to calls for base rate increases. What does the poor governor of the Bank of England then recommend? In my view an increase in interest rates. That is the appropriate response if policy is geared to an inflation objective, as it is supposed to be.

The difficulty of selling this course of action is that sterling could then respond by rising higher still. A climbing pound would, however, be one of the ways by which inflation would be curbed. And even though industry would grumble, consumers' real incomes would at last be getting a real boost from the economic upturn.

It will not have escaped readers that the choices I would make are in favour of domestic stabilisation and would apply even if there were no payments surplus or if (as in fact is the case) we had little idea what the current balance of payments was.

In the hypothetical case of European Monetary Union, the balance of payments of the UK would be even less relevant than it is today. A big difference, however, is that the dilemma cases in the second line of the chart cannot occur with a common European currency. For if sterling as such did not exist, upward and downward lurches in the pound could not cause problems. The European Central Bank would raise interest rates only if there were inflationary pressures in the European Union taken as a whole; just as the Federal Reserve has to look at average conditions throughout the US. But if the pressures were confined to the UK or one or two other regions, they would not determine policy. Unfortunately this course is not an option open to a British government which is so loudly sceptical about the chances of Emu.

Meanwhile, the main reason why policy should not be deflected by a payment surplus are a mirror image of the reasons for not getting too excited about a deficit. The conventional discussion leaves out the capital account. Just as a current deficit has its counterpart in a net inflow of capital, so a surplus has its counterpart in an outflow. Just as a deficit may represent willing net overseas investment in the UK, so a surplus may represent willing UK investors placing their funds abroad.

As one of the world's principal authorities on such matters, Professor Max Corden has just put it in a relatively simple prose exposition.* "There can be no general presumption that a current account deficit is undesirable." The current account should be watched mainly for its "signalling role", especially if it is a sign of an excessive *Budget* deficit.

What could a current surplus be signalling? That the Budget deficit is too low? Corden warns of the dangers of fiscal management aimed at perceived short-term problems. Having spent so much energy and political capital in correcting the structural Budget deficit it would be absurd to go into fiscal reverse and cut taxes in an attempt to fine tune the current balance.

** Economic Policy, Exchange Rates and the International System, Oxford £14.95*

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Eurospeak resolution a clear winner

From Ms Eirlys Roberts.

Sir, For years, the British press has enjoyed itself by poking fun at "Eurospeak", and long may it go on doing so. It makes a nice change from poking fun at the language used by our own borough councils.

Chrissie Maher, head of the Plain English Campaign, and your journalists, Alice Rawsthorne and David Gardner, are right ("Campaign for clarity aims to end Eurospeak", December 31). Obscure language is an offence to the public and has to be fought.

That is why two organisations – European Research into Consumer Affairs and Consumers in Europe Group – have been campaigning for several years to get the European Commission's language simplified by lobbying, organising competitions and awarding prizes.

In July 1993 we saw a result. The EU Council of Ministers passed a resolution on legal drafting which ordered its civil servants to use wording which was clear, simple, concise and unambiguous.

No unnecessary abbreviations. No "EU jargon". The same term throughout for the same concept. And so on.

Sir Ernest Gowers, author of *The Complete Plain Words* and editor of *Fowlers Modern English Usage*, would have been proud.

Now comes the hard bit; getting the lawyers, translators, scientific experts and civil servants to do what they are told.

Eirlys Roberts,
chairman,
European Research into Consumer Affairs,
8 Lloyd Square,
London WC1X 9BA

Shareholders shun democracy

From Mr Roland C Shaw.

Sir, The Lex article of December 31, "UK governance" (as an American I shudder at the British import of that horrible term), rightly asks for an investigation of the responsibilities of shareholders and the reluctance of UK institutional shareholders to vote at general meetings. This is particularly apposite when journalists call for shareholder approval of executive salaries.

At the last AGM of the public company over which I presided, the total shares represented by written proxy and in person, as I recall, was 8 to 10 per cent. In a prior discussion with a leading shareholder when I was pressed to take certain corporate action (no doubt regarding payment of a dividend), I suggested the shareholder came to the AGM and state its views publicly. Oh no, I was told, we never take a public stand; we prefer to talk to management privately.

So much for shareholder democracy – and do we really want 8 to 10 per cent of shareholders deciding on executive remuneration? Incidentally, at that AGM, I suggested to my fellow directors that we should publicly announce the percentage of shareholder participation, but was told this fact might give an undesirable impression. Perhaps companies should be required to state such facts.

It all says to me, as your article implies, that institutional shareholders are not really "members" of the company in any real sense, but are in for the (hopefully) quick profit, ready to criticise in private but unwilling to take any public responsibility.

Roland Shaw,
Heritage Oil & Gas,
535 Kings Road,
London SW10 0SZ

Ground rules for an export-led recovery

From Mr Ian J Campbell.

Sir, The forecast by Cambridge Econometrics reported on January 3 ("Balance of payments surpluses seen for UK until 2004") reinforces the views expressed by this institute throughout 1994.

The 1992 devaluation of sterling, the opening of the single market in 1993, and the volume of inward investment over the past decade have all helped to lay the foundations for a sustained export-led recovery.

Three caveats, however, must be noted.

First, interest-rate policy must be very carefully thought through by the chancellor and governor. Any decision to raise rates to combat inflation must also consider the likely effect on the competitiveness of sterling and the propensity of industry to invest.

Second, the evil of short-termism must be tackled. Companies must invest in plant and equipment if we are to have the products to service growing world markets.

However, shareholders' dividend expectations and banks' attitudes to long-term finance must change if such investment is to be undertaken.

Third, UK companies must stop treating international business as a "bolt on" activity. Exporting must be seen as a direction, not just a function, of the business. This means having a strategic approach to overseas markets, an international view of product and marketing development, and a cohesive training policy to produce culturally aware export sales and service personnel.

Ian J Campbell,
The Institute of Export,
64 Clifton Street,
London EC2A 4HB

US policy in Gulf not motivated by self-interest

From Mr Lance Gay.

Sir, I have a minor quibble with Jurek Martin's otherwise masterful and expert analysis of US foreign policy ("Global policeman called home", January 3).

He states that the Gulf war of 1991 was "fought in part to protect US oil supplies". In fact, according to the *World Almanac and Book of Facts*, in 1989 US oil imports from the Arab-state producers amounted to half of the 20 per cent of the country's oil consumption coming from Opec producers. The quantity was even lower during most of the 1980s.

The main markets for Gulf oil were, and still are, Europe and Japan.

Therefore it would be more correct to say the Gulf war was fought in part to protect European and Asian oil supplies – a fact that European newspapers, particularly those of a leftwing bent, consistently ignore when they pillory US foreign policy as being purely motivated by self-interest.

Lance Gay,
Logger 200,
1186RW Amstelveen,
The Netherlands

Jobs survey underestimates extent of employment revolution

From Mr Nigel Wilkins.

Sir, The statistics quoted by Mr Andy Lake (Letters, December 22), illustrating the sharp growth in self-employment and the number of temporary jobs, appear to contradict the results of the survey conducted by Simon Burgess and Hedley Rees, indicating the continued availability of permanent jobs ("Jobs for life still available to many", December 9).

Burgess and Rees succeeded in demonstrating that many workers are still in what might be considered "lifetime" jobs, with the average length of time spent with the current employer little changed over the past two decades. However, by its nature this survey excluded the growing proportion of the labour force that no longer works for an employer, in particular the self-employed, the unemployed and the involuntarily retired. Including these groups, the proportion of the total labour force with a "job for life" would be much lower than Burgess and Rees suggest.

Another key difference compared with two decades ago is that today a much higher proportion of the departures made by employees from "permanent" jobs results from redundancy, the cause of considerable distress. Back in the 1970s, most moves occurred because an employee had been offered a better job elsewhere.

Nigel Wilkins,
8 Petersham House,
Harrington Road,
London SW7 3HD

نقلا عن الأصل

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700

Thursday January 5 1995

Mexico faces market test

President Ernesto Zedillo would like to have put the turmoil of the past few weeks behind him with the government's emergency economic plan announced on Tuesday. In principle, the package ought to revive investors' confidence in the Mexican economy, so lowering the short-run costs of the peso's devaluation. But, as yesterday's further decline in the currency showed, it will do so only if the government is able to show a good deal more sureness of touch in the months ahead than it has in recent days.

On the face of it, the markets' reaction to the stabilisation plan is difficult to justify. The package is a broadly coherent response to the more than 40 per cent fall in the peso's value since December 19. The monetary and fiscal targets built into the plan could well prove overoptimistic, particularly if interest rates remain at their present levels. But two crucial elements are in place which back up Mr Zedillo's efforts to ensure that devaluation delivers real competitiveness gains, and not simply a return to stagflation.

The first is the $18bn in balance of payments support from foreign governments and banks set up over the weekend by the Bank for International Settlements. This will be especially needed in the first six months of this year, when the government faces not only an automatic rise in the value of imports, but the maturing of $16.9bn of dollar-denominated government bonds.

It is a tribute to the Mexican economy's transformation – and growing importance – over the past decade that the US and other countries were so quick to commit themselves to supporting Mr Zedillo after the devaluation. Key supporters at home, namely the unions, were slower to sign up to the deal, thus causing the unseemly 24-hour delay in the president's official announcement.

The "pacto" on wages and prices which the government eventually agreed with unions and business leaders is the second, and more important, element of the plan. The unions' initial reluctance to keep to the 7 per cent limit on wage growth agreed before devaluation is understandable. Even if all goes according to plan, the government expects inflation to top 16 per cent next year as a direct result of the peso's fall. Union leaders have repeatedly been told over the past decade that falling real wages were a necessary sacrifice for future growth. A further drop of at least 8 per cent after the country's first year of significant recovery must be a bitter pill.

Laudably, Mr Zedillo did not attempt to claim that sticking to the deal would be easy. But he could have made it somewhat easier by more effectively stage-managing its announcement. As it was, the delayed presentation carried unfortunate echoes of the government's botched handling of the devaluation itself. The peso's fall still offers tremendous long-term economic benefits. But they will be increasingly difficult to grasp if Mr Zedillo continues to wobble in his tricky first steps towards them.

Make them liable

Most businesses of any size or substance in the late 20th century conduct their operations through subsidiaries which are owned and controlled by a parent company. Yet this fundamental organising principle is largely ignored by British insolvency law which, despite recent reforms, remains firmly rooted in the 19th century. A consequence is that when parent companies periodically refuse to honour subsidiary company debt, much of the business community is scandalised as trade creditors are hit. The recent, much-criticised decision by Pentos to put its Athena Holdings poster and card retailing subsidiary into administrative receivership is the latest in a long line.

In law, even when the holding company's stake in its subsidiaries is the same throughout the group, the existence of separate subsidiary company creditors means that the directors of each company have to have separate regard to its particular interests. In practice, inter-company transactions are often done on non-arm's length terms and money swills around a group without regard to the independently assessed cash requirements of the legal subsidiaries. Why has nothing been done to bring the law into line with business reality?

A theoretical objection is that the twin concepts of limited liability and the separate legal personality of the company underpin the operations of the capital markets. To retreat from them might impede the flow of capital into the corporate sector. Yet it is hard to believe that many modern companies would be reluctant to raise and invest fresh capital without the reassurance that they could run away from the investing subsidiaries' debts. Nor, again, that these legal principles, which allocate risk between owners and creditors, could not be amended to conform with a modern view of ethical business practice.

They have anyway recently been eroded by the introduction of the wrongful trading provisions of the 1986 Insolvency Act, whereby parent companies and their directors can be held responsible for subsidiary liabilities. Yet the government drew back from more specific reforms. The best solution to what the Cork Report on insolvency law called a seriously inadequate legal framework would be to embed the group concept more firmly in the law, for example by making the parent company responsible for all group debts. Yet this gives rise to technical difficulties because of the complexity of group capital structures, the existence of foreign subsidiaries and transitional problems arising from changes in creditors' rights across the group.

An alternative would be to give the courts a wider equitable right to disregard the separate legal status of subsidiaries in specific circumstances, as in other English-speaking jurisdictions. At the very least, all subsidiary companies should be required to state clearly on their notepaper whether the parent stands behind them.

Chinese risks

Let the creditor beware. Always a good motto for the foreign investor, it is essential for anyone putting substantial amounts of money into emerging markets. This has been made clear by the collapse of the Mexican peso. Even China, darling of foreign investors, has begun to shake investor confidence.

Recently, there have been several disturbing events: a dispute with Lehman Brothers, involving prominent state corporations, over losses of $100m (£64m) on currency trading; an argument with the London Metals Exchange over $30m-$40m in trading losses incurred by the China International Trust and Investment Corporation (Citic); complaints about the non-payment by state enterprises of $500m-$600m to joint venture leasing companies; and reports by Hong Kong ship owners of substantial arrears.

All of these cases involve China's still largely unreformed state-owned enterprises (SOEs). They have been offered substantial commercial freedom by the central government, but are operating without legally enforceable property rights or effective bankruptcy procedures. Close to half of them have been running losses. At the same time, the government is imposing a credit squeeze, albeit half-heartedly, in order to lower consumer price inflation from the 24 per cent reached last year. Fear of inflation also explains why the government has been unwilling to liberalise controlled prices, which are an important explanation for SOE losses. The inevitable result of all this has been a rising lake of bad debt, which was bound to spill over on to foreign creditors.

The Chinese government argues that enterprises and their creditors have to sink or swim on their own. Since the Chinese state remains the dominant shareholder and is responsible for the highly defective policy environment within which SOEs operate, this is disingenuous. But foreign investors have received a timely warning: they must rely on the good faith of enterprises no longer disciplined by the state, but not yet disciplined by the market.

The difficulties of some SOEs need not affect the credit of the Chinese state itself. The trade account had a surplus of $2.4bn in the first 10 months of 1994, while foreign direct investment was no less than $25.2bn. Furthermore, the ratio of external debt-service to exports is currently 13 per cent, modest by the standards of many developing countries. A reduction in the rate of capital inflow would even help the authorities curb inflationary pressures.

China does have huge economic potential. But investment there is unavoidably risky. Quite apart from the political uncertainties, the institutions of a market economy have not yet been put in place. Investors would do well to remember that the emerging country which offered dazzling opportunities in the last century was the US. There, too, the economy thrived. But many foreign investors lost their shirts.

Dreams behind the scenes

Guy de Jonquières asks whether Gatt's successor, the World Trade Organisation, is likely to live up to expectations

Diplomats at the General Agreement on Tariffs and Trade in Geneva had an extra reason to celebrate the arrival of the new year.

After a hectic scramble, they succeeded just before Christmas in bolting into place arrangements for the launch on January 1 of the new World Trade Organisation and the Uruguay Round agreement, intended to usher in a bigger and better global trade system.

Now they and the more than 120 governments they represent must show they are able to make the new machinery work.

Rarely has the birth of an international institution been preceded by higher expectations. The WTO has been widely hailed as the centrepiece of a stronger and more cohesive framework for accelerating the liberalisation of economies worldwide and promoting more effective policy co-ordination between them.

Some observers, however, fear the optimism may be overdone – and could even prove self-defeating.

"The new system has built up expectations which may be unrealistic," says Professor John Whalley, a trade policy expert at Warwick University. "There is a danger that if they are not fulfilled, some of Gatt's achievements will be eroded."

Even the WTO's most enthusiastic supporters admit the enterprise involves a big leap of faith. Unlike the International Monetary Fund or the World Bank, the organisation will have no resources of its own other than its operating budget. "Its role will depend entirely on its credibility," says a senior trade official in Geneva.

The WTO is equipped with a broader remit and stronger procedures than Gatt. It is also designed to ensure fuller participation: while countries, particularly developing ones, could choose not to observe some Gatt obligations, they must subscribe to all the WTO's much wider range of agreements and disciplines.

However, the WTO, like Gatt, has no powers to force through decisions, which will mostly be reached by consensus. Ultimately, its effectiveness will depend on how readily members co-operate in advancing liberalisation by making reciprocal concessions based on a calculation of self-interest.

Steering their deliberations will be made no easier by deadlock over a leader for the WTO, which has led to Mr Peter Sutherland, Gatt's outgoing director general, being asked to stay on until March. Few observers think this arrangement can run beyond then without weakening the WTO's impact.

Mr Sutherland has also had only partial success in persuading governments to beef up the Gatt secretariat, which will serve the WTO. Though its budget has been increased about 10 per cent to SFr105m (£50m) this year, that is less than half what Mr Sutherland initially demanded, leaving many of Gatt's 400 staff disgruntled. "Morale in this organisation is pretty low right now," says one official.

By contrast, the WTO faces a far heavier workload than Gatt. It starts life with more than 30 councils and standing committees – twice as many as its predecessor. These must handle an array of challenging new issues not previously covered by Gatt, including trade in services, intellectual property and the environment.

For several years to come, its operations will be dominated by decisions taken in the Uruguay Round. For instance, an agreement to create rules to protect intellectual property rights has to be translated effectively into national law. Landmark accords to reduce or dismantle trade barriers in agriculture and textiles must be carefully monitored to ensure they are being put into effect.

In some areas, complex further negotiations will be required if objectives set in the round are to be achieved. The most important is services, where Gatt members have agreed a broad framework for liberalisation, but have yet to decide exactly how to fill it.

Efforts to liberalise financial services, in particular, may pose an early test of the WTO's role as a bargaining arena. Though multilateral negotiations started in the middle of last year, they have yet to get under way in earnest – and participants have set a July 1 deadline for agreement.

Close observers are cautious about the prospects, which may hinge on US success in persuading Japan and other Asian countries to open up their markets. Says one: "I don't see much sign of movement so far. The main priority may be to avert complete breakdown."

The talks may also test the feasibility of another WTO ambition, to end omnibus trade rounds by developing into a permanent negotiating forum. Though negotiators dread the thought of another lengthy ordeal like the Uruguay Round, some question whether it will be possible in the WTO to generate the complex linkages and sense of urgency needed to achieve substantial breakthroughs.

Much the most pressing challenge confronting the organisation, however, is to bed in new procedures for settling international trade disputes. "Ensuring the procedures work and command confidence is crucial to everything," says a senior trade official. "If their authority is once eroded by a big trading power, that will be the end of the WTO."

Effective resolution of trade conflicts is important not only for international harmony. It is the most critical and politically sensitive factor underpinning the cohesion of the international trade system and governments' respect for its rules and disciplines.

Gatt's record on this score was mixed. Countries regularly disregarded adverse rulings by disputes panels, while the US has cited the inadequacy of Gatt mechanisms to justify its aggressive use of unilateral trade weapons against Japan and other trading partners.

In the WTO, the system should be faster, fairer and more efficient. Parties to conflicts will no longer be entitled to prevent disputes panels being set up, choose their members or block rulings that go against them. There will be more scope for retaliation against countries which ignore rulings, and an independent body is planned to hear appeals.

These improvements have not stopped the US – long the most frequent target of complaints in Gatt – from placating congressional critics by appointing a committee of federal judges to review WTO disputes rulings. Opinions remain divided over whether the committee is more likely to undermine the WTO's authority by second-guessing its decisions, or to strengthen it by providing an additional seal of approval.

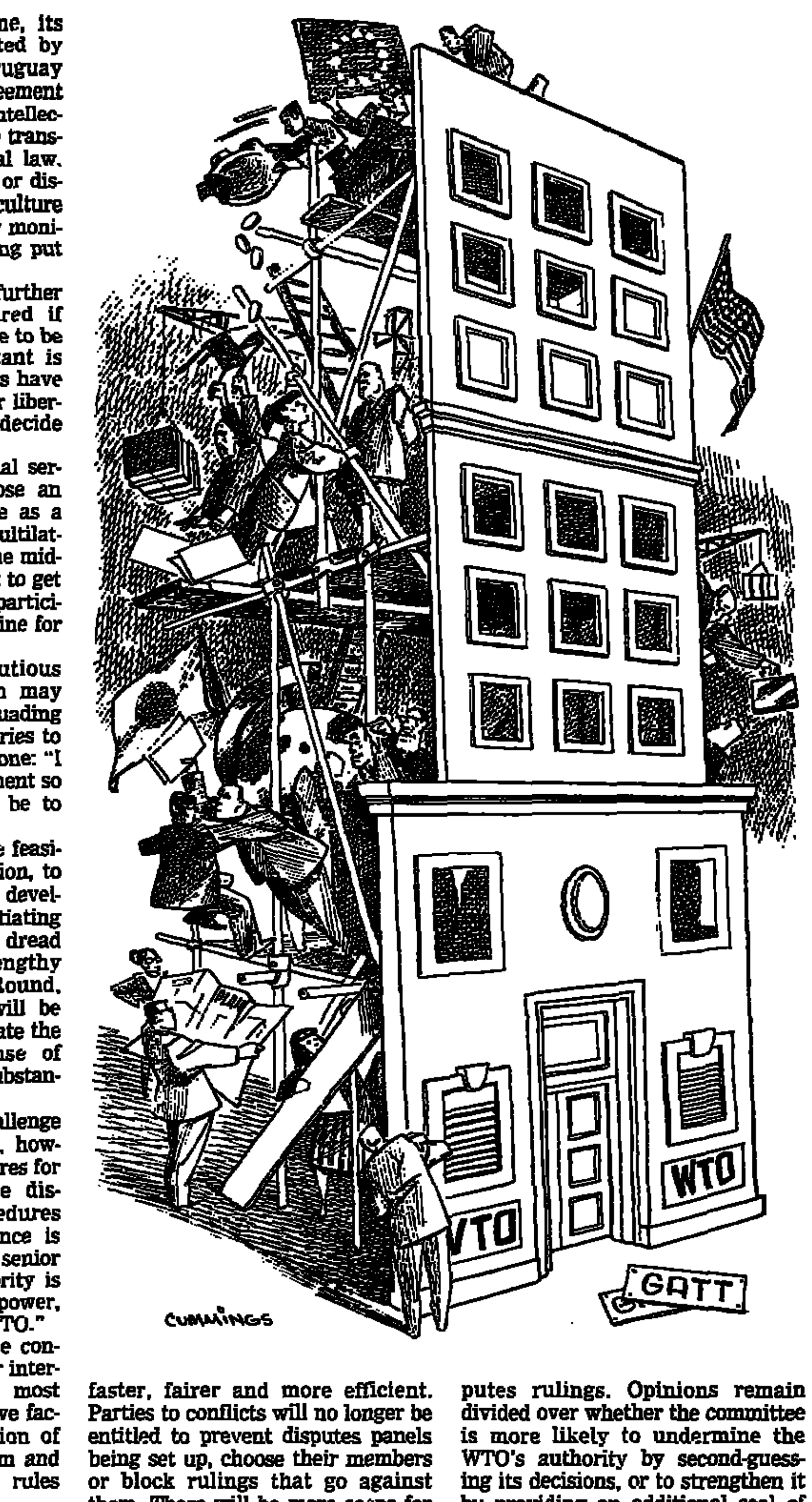
It is widely agreed, though, that if the new mechanisms are to have an impact, they must quickly establish a reputation for judicial rigour, impartiality and a sure grasp of technical detail. Particularly critical will be the quality of the seven part-time members of the appellate body, to be chosen early this year.

Some observers expect the prestige and novelty of the jobs to attract a rich field of applicants. Others fear good candidates may be deterred by the modest remuneration offered: a $5,000 retainer and a $500 daily fee for 60 days' work a year.

But however impeccably decisions are taken, what really counts is making them stick. In an organisation like the WTO, the core of which is a set of voluntary contracts between sovereign governments, that comes down to a question of political acceptability.

As the fraught Uruguay Round ratification debate in the US Congress underlined, maintaining a broad international consensus is a delicate task. Many trade experts believe it is likely to become even more difficult as the scope of global liberalisation expands and thrusts more deeply into sensitive areas of domestic policy, such as the environment and the treatment of foreign investment.

This trend, they warn, risks arousing mounting resistance from protectionist forces unless the WTO takes steps to entrench its legitimacy more broadly. A priority, they say, is to strip away the cocoon of monastic secrecy that shrouded the Gatt and expose the organisation's workings to public scrutiny.



So far, though, the US is the only government to campaign for more openness. Others are cautious or hostile. Some object that greater transparency could give non-governmental organisations, such as environmentalists, the right they have long sought to participate directly in world trade policymaking.

"Governments have long used Gatt to collude in private against their domestic pressure groups," says one official in Geneva. "Allowing the greens in could thwart liberalisation by opening the doors to farmers and all kinds of lobbies opposed to free trade."

The nature of the WTO's relationships with the outside world is also at the centre of another contentious issue: how should the priorities for the future world trade agenda be set and their implementation assured? To a large extent, the question turns on the role of the future WTO leader.

Many negotiators in Geneva believe the job should be largely administrative and focus on making the machinery tick over smoothly. Says one: "In this organisation, the members will do most of the work, and most of them are determined to keep policy formulation to themselves."

Many trade policy experts, however, think the challenges ahead require the WTO leader to play a more assertive role. As well as giving the organisation a high public profile, this would include generating new ideas, actively building consensus and persuading heads of government to accept politically difficult decisions.

In the final analysis, though, it will be up to governments to decide what sort of WTO they want, and the shape of the world trade system it presides over. In the words of Professor Robert Hudec of Minnesota University, a leading authority on international trade law: "Those of us who have watched Gatt operate for years have long realised that political will is everything."

Regional power struggle

When the race to head the WTO began last summer, it was supposed to be a contest between individual candidates. But it has rapidly turned into a fractious power struggle between regions.

It was agreed at the outset that, unlike the post of director-general of Gatt, which has always been held by a European, the WTO leadership should be open to all-comers.

As well as wanting to attract a wide field of candidates, Gatt members judged the approach offered the best chance of selecting someone with broadly based support.

So far, however, that hope has been disappointed. Instead of unifying the new organisation, the contest has hit deadlock, reviving old rivalries and provoking new ones.

Of the three candidates, Mr Renato Ruggiero, a former Italian trade minister and the EU's champion, claims the widest support. He says he is backed by more than 70 countries in Africa and the Middle East as well as in Europe.

The remaining WTO members are said to divide more or less evenly between former president Carlos Salinas of Mexico, whose support is confined to the Americas, and Mr Kim Chul-su, South Korea's trade minister, who has found little favour outside Asia.

However, Mr Ruggiero's opponents are not ready to concede victory. They argue that much of his support is from countries with a minuscule share of world trade and has been politically orchestrated by Brussels.

Critics say Mr Ruggiero's campaign has made much use of the EU's preferential trade and aid links with the developing world, while his claims to victory on the basis of having a majority of "votes" ignore the fact that the final decision must command a consensus among all WTO members.

Prospects for ending the impasse may rest on an informal understanding to allow Mr Salinas, who was unable to campaign actively until he stepped down as president on December 1, a few weeks more to canvass support.

If he won more backers, particularly in Asia, the hope is that Mr Kim would gracefully withdraw. The final decision would then come down to bargaining between Brussels and Washington, which strongly favours Mr Salinas.

If that proves impracticable, however, the only option may be to scrap the contest and start again. In that event, any pretence of holding an open race would probably be abandoned in favour of behind-the-scenes wheeling and dealing between the WTO's bigger members.

OBSERVER

One man's gain...

■ Anyone who has ever pressed the wrong button on a calculator, and failed to notice the error, might spare a thought for the accountant at Boston's Fidelity Investments, who single-handedly managed to unleash a tremor across the world's stock markets last month.

The unnamed bean-counter's misfortune was to record a $1.3bn capital loss as a $1.3bn capital gain. Remarkably, this simple error escaped detection for several weeks. In the meantime, Fidelity's $35bn Magellan Fund – the US's biggest mutual fund – went ahead and declared a year-end dividend.

Eventually, the glitch was spotted, unprintable words were no doubt uttered and Fidelity cancelled the payout. Now Magellan has made a clean breast of the accountant's role in a letter to shareholders. History does not relate, alas, what has become of the careless number-cruncher.

Perhaps he has been found a job in the Office of Management and Budget in Washington DC.

Seasonal wishes

■ Guido di Tella, Argentina's foreign minister and a former Oxford don, has clearly learnt much from Hollywood crime movies; either that or his recent good cop, bad cop routine is a coincidence.

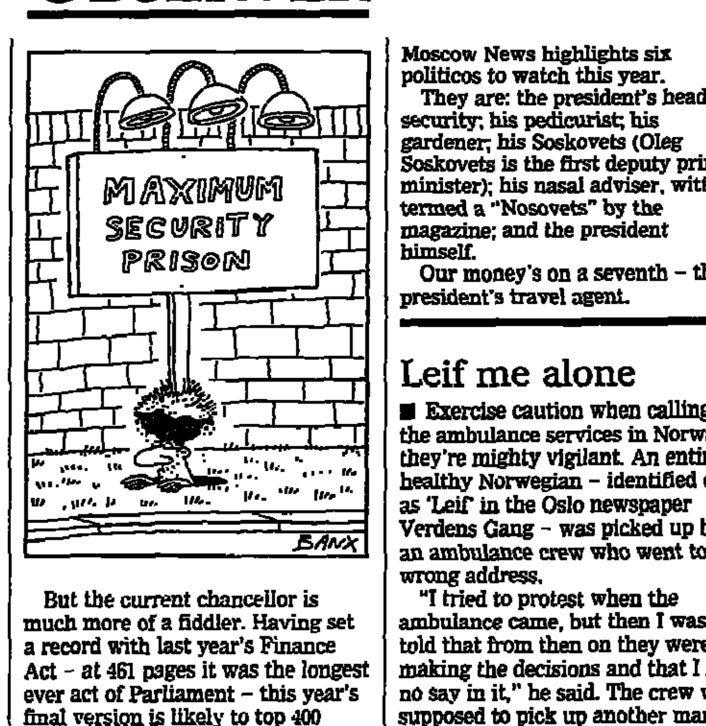
This week some 500 late Christmas cards from him arrived in the Falkland Islands, to the delight of the recipients. Not that they have much affection for Buenos Aires, simply that the cards were addressed to the Falkland/Malvinas islands, the first time in 160 years that Argentina has used the English name ahead of the Argentine one. Di Tella's cards also used Port Stanley rather than Puerto Argentino, Buenos Aires's name for the islands' main town.

Then he went and spoilt it all. Now he says there is "a risk of potential conflict", thanks to the UK's decision last September to extend a conservation zone by 870 miles around the Falkland Islands, to protect stocks of squid, the Falklands' main source of income. We shall have to see if any Easter eggs arrive before we know which way the wind is *really* blowing.

Inflationary

■ Is there any relation between the size of the UK's Finance Bill and the importance of its contents? Yesterday's 348-page tome was 69 pages shorter than last year's but still the second biggest ever.

It's a far cry from 1983, when the government needed only 94 pages to cover not one, but two, Finance Acts. In Nigel Lawson's day, the Finance Act never ran to more than 275 pages and Norman Lamont's always ran to fewer than 300 pages.



But the current chancellor is much more of a fiddler. Having set a record with last year's Finance Act – at 461 pages it was the longest ever act of Parliament – this year's final version is likely to top 400 pages since it is unknown for Parliament to produce a Finance Act shorter than a Finance Bill. And the condition of the economy? Getting fatter of course.

Boris's boys

■ For those confused about who is running Russia these days – their ranks are growing – the Russian-language weekly magazine Moscow News highlights six politicos to watch this year.

They are: the president's head of security; his pedicurist; his gardener; his Soskovets (Oleg Soskovets is the first deputy prime minister); his nasal adviser, wittily termed a "Nosovets" by the magazine; and the president himself.

Our money's on a seventh – the president's travel agent.

Leif me alone

■ Exercise caution when calling the ambulance services in Norway; they're mighty vigilant. An entirely healthy Norwegian – identified only as 'Leif' in the Oslo newspaper Verdens Gang – was picked up by an ambulance crew who went to the wrong address.

"I tried to protest when the ambulance came, but then I was told that from then on they were making the decisions and that I had no say in it," he said. The crew was supposed to pick up another man, with the same name, from the same village. Could happen to anyone.

On the map

■ No problem finding where Zee TV, the Hindi-language satellite service which is rescuing London-based TV-Asia, is hanging out: Hinde Street, a stone's throw from Broadcasting House in London.

Zee, whose Indian parent of the same name has revolutionised broadcasting in India, is part-owned by Rupert Murdoch. But finding its own way in the increasingly crowded ethnic cable and satellite market will be rather more of a challenge than studying London's A to Z street atlas.

Unfair play

■ Staff at the UK's Sports Council spent a surprisingly quiet day yesterday. They had expected a rush of applications for National Lottery funds. After all, between November 18 and Christmas they had more than 12,000 inquiries and at least 100 formal bids arrived even before the bidding opened.

But yesterday only a handful of bids arrived, by registered delivery. Where was all the rest? David Carpenter, head of the council's planning team, has "a sneaking suspicion that there's a sizeable sack hidden somewhere".

Suspicion has fallen on striking Post Office workers. Or maybe the Australian cricket team has been at work?

Hard cell

■ Suggestion to flustered Home Office mandarins endeavouring to dig their boss Michael Howard out of the hole in which he finds himself. Set up a committee. Its working title? The Penal League for Howard Reform.

FINANCIAL TIMES
Thursday January 5 1995

Republicans hail 'amazing' day

Jurek Martin sees the start of the 104th US Congress

The balance of power formally shifted in Washington at 1.35 yesterday afternoon, as Congressman Newt Gingrich from Georgia became the first Republican in 40 years to wield the Speaker's gavel and call the House of Representatives to order.

But it was Newt the emollient rather than the doctrinaire conservative who then delivered his 30-minute maiden address. He *read at length from his Contract with America*, the Republican election manifesto, but also commended past and present Democrats beyond number for all they had done for the country, especially ending segregation.

He promised an on-line, televised open House which would vote faster – and deliberate more publicly. Republicans would go away for weekends to consult with the black and hispanic caucuses, whose funding he proposes to eliminate. "This is a society of civil behaviour," he proclaimed.

His election victory 16 minutes earlier over Congressman Richard Gephardt of Missouri had been a formality, but it was imbued with a nice touch of history. The new House, sworn in shortly after noon, cast its vote *the old-fashioned* way, by voice, rather than by the electronic device in daily use.

Mr Gingrich was then sworn in as Speaker by the Democratic dean of the House, Mr John Dingell from Michigan, a liberal warhorse with 38 years of service.

Before launching his chamber into a busy day of changing its many rules, the word that had crossed Mr Gingrich's lips most frequently in breakfast interviews, at a press conference, and even, soundlessly, as he stood on the podium listening to Mr Gephardt, was "amazing".

"The sense of being part of history and part of the romantic myth of this country . . . it's just one of the most amazing things I've ever been through." He started early, on Capitol Hill *before dawn, revelling in every* moment. He promised co-operation and confrontation with the White House.

Over in the Senate, where they have seen all these things before, including a Republican majority in President Ronald Reagan's first six years, there was less of the whiff of conservative revolution in the air. Vice-president Al Gore performed his constitutional duties and swore in the newly-elected senators before handing over the gavel not to *Senator Robert Dole*, the new majority leader, but to Senator Strom Thurmond from South Carolina, 91 years old and intent on breaking all records for longevity.

Only in one respect did Mr Gingrich's day not proceed according to plan. He allowed himself to be incensed at what he called the "despicable conduct" of Ms Connie Chung, the CBS anchorwoman, in extracting from his mother the confession that her son was wont to describe Mrs Hillary Clinton with an epithet identical to that used by Mrs Barbara Bush. "I can't say the word," the previous First Lady once said of Mrs Clinton, "but it rhymes with rich."

Mr Gore's ceremonial role apart, the Democratic administration adopted a mostly politically correct low profile. President Bill Clinton himself was back home in Arkansas, attending the dedication of an new elementary *school named after him.*

Ruling on lead in water may cost EU companies $24bn

By Haig Simonian, Environment Correspondent, in London

Water distribution companies in the European Union would have to spend up to Ecu20bn ($24bn) on new pipes to meet higher water quality standards proposed in a draft directive passed by the Commission yesterday.

If the new rules are extended to households, the investment required may rise to Ecu70bn.

The bulk of the burden, nearly Ecu20bn according to informal industry estimates, would fall on France. Italy and the UK, the other countries most affected, would have to spend more than Ecu14bn and Ecu13bn respectively.

The investment will be needed to meet new rules drastically reducing the level of lead in drinking water. High quantities of lead are a serious health risk, according to the World Health Organisation.

The new directive, still to be passed by the European Parliament and the Council of Ministers, proposes cutting the level of lead to 10 microgrammes per litre from 50 microgrammes a litre.

The impact will be greatest in areas of soft water, which is more corrosive, such as the north-west of England and the Midlands, according to Mr Don Ratledge, a spokesman for the Water Services Association of England and Wales. Towns with a relatively high proportion of lead pipes, such as the large urban conurbations which grew quickly during the industrial revolution, will also be affected.

The new standard represents the first revision of the EU's water directive passed in 1980. Research has since found additional hazards from lead, prompting the WHO to recommend the 10 microgrammes per litre limit.

The new ruling was welcomed by the WSA and the Water Companies Association, the two UK water industry groups. Mr Mike Swallow, director of the WCA, which brings together the 20 smaller water companies in the UK, said the ruling represented "sound science, but pragmatically applied".

A spokesman for Lyonnaise des Eaux, France's second biggest water distribution group, said the company was still studying the new ruling, which had come as no surprise.

Water distributors are expected to be given 15 years to replace lead piping. In the UK, most mains pipes have been replaced by pipes of plastic, copper, or steel lined with concrete.

Critics questioned the proposal as it excludes pipes in individual households, where about three quarters of the estimated spending will be required.

The Commission's decision not to extend the directive to households stems from sensitivity to the huge investment involved.

About three-quarters of the estimated Ecu70bn to meet the new standard for lead stems from households, with the remainder coming from the water distribution industry.

Yeltsin

Continued from Page 1

is a member, will meet on January 12 to discuss how it can help bring an end to the bloodshed.

Mr Alain Juppé, the French foreign minister, yesterday said: "We have a right to demand explanations at the OSCE. I have contacted our 14 partners of the European Union so that we turn to Russia and ask Russia to give an explanation," he said.

Mr Douglas Hurd, UK foreign secretary, said on a visit to Bangladesh that the Russians "know of our concern and our anxiety".

Spain

Continued from Page 1

put short-term rates at levels appropriate to preventing inflation risks perceived in the months ahead.

Underlying inflation has remained unchanged at 4.4 per cent year-on-year between July and November. Markets anticipate a sharp price rise this month because of a 1 per cent rise in VAT and higher taxes on fuel, cigarettes, and alcohol.

China orders pirate products boycott

By a Correspondent in Beijing and Nancy Dunne in Washington

China stepped up its efforts yesterday to ease a trade rift with the US over copyright infringements by announcing a national boycott on pirate products.

It said it planned to toughen its law on protecting intellectual property rights.

Following raids on factories violating domestic copyrights, Beijing has mounted a public relations initiative to avert trade sanctions threatened by Washington against $2.8bn in Chinese exports. The US had said it would impose punitive tariffs on certain Chinese exports from February 4 unless Beijing strengthened copyright enforcement.

China said it would retaliate by sharply increasing tariffs on some US imports and hindering market access to US businesses.

Negotiations in the copyright trade dispute were broken off by the US in mid-December after Washington said there was no point in continuing in the absence of a serious Chinese offer. Both sides, however, hold out hope of a settlement in talks expected later this month.

China has to date failed to meet American demands to rein in copyright infringement. Much of the pirated products have come from state-owned or military related companies, filling the Chinese market with compact and laser discs, computer software, videotapes and books.

Washington wants up to 29 plants in southern China to be closed to prevent production of up to 80m illicit compact discs yearly, mostly for export. Beijing has said it cannot close many factories because of its declining control over the southern provinces, where piracy is widespread, and interference from municipalities which own the plants.

The US has demanded "immediate and effective measures" and market access for US products which are being counterfeited. It has also called for an effective customs administration.

A report by the official Xinhua news agency said the State Copyright Administration ordered a nationwide boycott against violating companies.

The news agency said the changes would co-ordinate the protection of owners of foreign copyrights and their Chinese counterparts.

Beijing has denied claims that US publishing, film, software and music companies lose $827m a year in copyright violations. Xinhua says that just 20 US copyright infringement suits have been filed with Beijing's special *intellectual property rights court.*

China rate rises due, Page 4
Editorial Comment, Page 11
Dreams behind scenes, Page 11

THE LEX COLUMN

Short rate riddles

Something is awry in short sterling futures. Most City economists believe *that* three-month interest rates will range from 7.5 per cent to 8 per cent by the year-end. Yet the December 1995 short sterling future contract suggests a figure a shade below 9 per cent. The margin between the two can be explained by fear and politics.

A wide differential has existed since mid-1994. It was encouraged by futures hedging by building societies and banks against strong demand for fixed-interest mortgages. Several securities houses spotted the apparent anomaly. However, they suffered losses when the government demonstrated its willingness to put up base rates to pre-empt inflation. Though many still feel an anomaly exists, few are now prepared to bet on it.

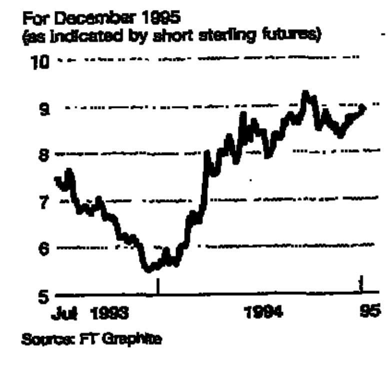
One key to the outcome will be inflationary expectations. Economic recovery has been carried on the back of an export boom, and there are signs of capacity constraints among manufacturers. Nonetheless, Christmas retailing appeared weak and the housing market is flat. Recent statistics on money supply and manufacturing prices have also added to a picture of *limited inflationary pressure.*

This brings in the greater uncertainty of politics. Some believe that, with an election due in 1997, the government will want to bring interest rate pain forward to 1995. Some interest rate manipulation is likely, and the outcome will be critical for UK markets. But the futures market interpretation seems to err too far towards political expediency, as against economic reality.

FT-SE Index: 3051.6 (-14.1)

Interest rate expectations

For December 1995
(as indicated by short sterling futures)



Source: FT Graphite

Spain

The Bank of Spain needed just four days of new-found freedom before it raised rates. Although the increase was higher and earlier than expected, the bank should not be too disappointed by the markets' muted reaction. The bond market's initial rally was supported by the strong anti-inflationary message of the increase. Its subsequent fall was due to the weakness of German bunds. Since Madrid's Bolsa index is peculiarly interest rate sensitive, the failure of equities to make meaningful advances was not surprising.

Yesterday's move is an encouraging start. Further flexing of the bank's anti-inflationary muscles later this year should bolster its credibility. That would support the bond market: 10-year bonds currently yield 11.8 per cent, four percentage points above German bunds. If the bank can convince investors about inflation prospects, the peseta, which has depreciated 20 per cent against the D-Mark in two years, could also be due for a rally. A swift recovery by equities, down nearly 11 per cent in the past year, is less likely. There is better value elsewhere in Europe: earnings growth in Spain this year is expected to be half that in Germany.

A rally in bonds or the peseta will depend on a resolution of the political crisis. Although any government replacing the present administration is likely to profess better inflationary credentials, elections would undermine confidence. But if Mr Mr Felipe González can ride out the next few weeks, the subsequent controlled tightening of rates should steady the markets.

UK electricity

Trafalgar House's £1.2bn bid for Northern Electric has sent the share prices of fellow regional electricity companies to dizzy heights. Stockbrokers are busy touting other possible bid targets. If takeover prospects were the main argument for holding rec shares, now would be the time to sell. Trafalgar's bid stands a good chance of being referred to the Monopolies and Mergers Commission. That would knock rec shares, even though few expect the deal to be blocked.

However, the main case for owning recs is not bid possibilities but the scope for increasing shareholder value by floating off the National Grid and gearing up balance sheets. On this basis, there is still value in the sector. Trafalgar's bid has put a value of £3.4bn net on the Grid. If the recs geared up their balance sheets to 50 per cent, a further £2bn-plus could be handed back to investors through large dividends or share buy-backs. If such sums are subtracted from the recs' combined market capitalisation of £17bn, the implied price/earnings ratio for the core business falls to single figures.

This is not an argument for buying recs aggressively. Not only is there a risk of a windfall profits tax by an incoming Labour government; rec managements have yet to demonstrate the will to unlock shareholder value fully. *Still, one consequence of the* Trafalgar bid is that they now have every incentive to do so, or risk predators doing the job for them.

Gas/telecoms

The UK's privatised utilities are facing a barrage of criticism that is obscuring the benefits to shareholders of the current restructuring. Such has been the fate this week of both British Gas's plan to offer discounts to those paying bills by direct debit but to charge others more and British Telecom's increase in standing charges. Both schemes should benefit shareholders and some customers but have been condemned by consumer groups.

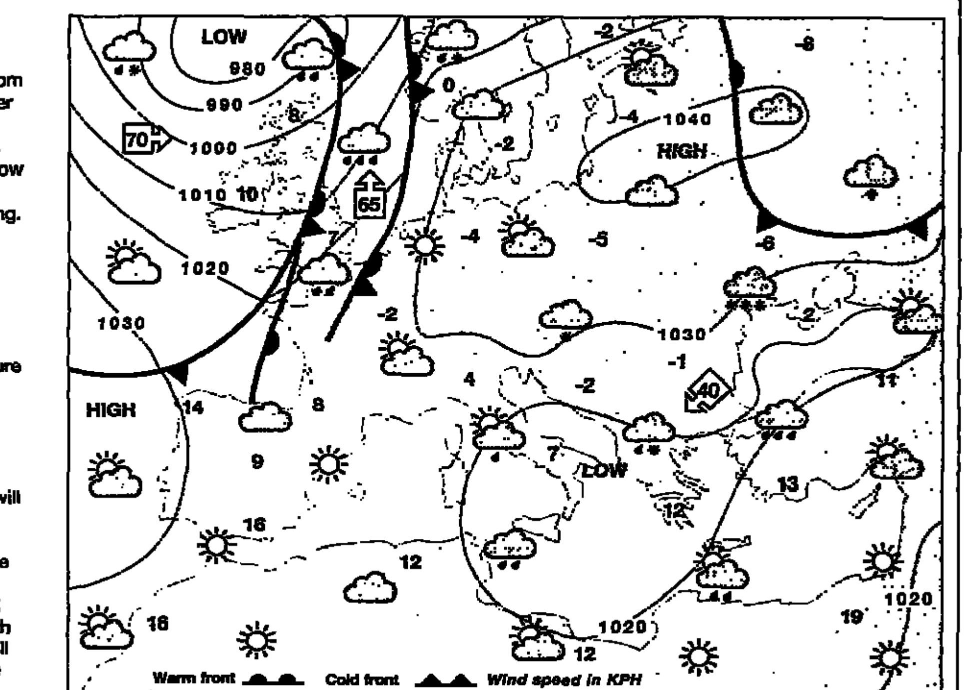
Every move to improve Gas's efficiency is now discussed in the light of the 75 per cent salary rise of Mr Cedric Brown, the chief executive. For shareholders, the damage is not that they are paying an excessive salary but the possibility that Gas will seek to avoid further bad publicity by slowing down reforms. These are necessary to cut costs and prepare for increasing competition in its markets. Discounts for those paying by direct debit provide a weapon to prevent rivals poaching its best customers.

With BT, the reaction is less extreme, partly because chairman Sir Iain Vallance's big salary rises occurred a few years ago. Still, lower transatlantic call rates have done little to stem the criticism of higher standing charges. Such tariff "rebalancing" is good for some customers while bad for others. But for shareholders it is an unmitigated benefit. Not only does it focus price cuts where competition is toughest; but lower call charges are stimulating overall market growth. The high salaries among utility executives will be justified if they continue with such reforms despite the bad publicity.

FT WEATHER GUIDE

Europe today

A large high pressure system stretching from Russia to Spain will continue to bring rather settled and cold conditions to central Europe. Abundant sunshine is expected in southern Scandinavia, Germany and the Low Countries as well as central and eastern France. Temperatures will be below freezing. Cloud and widespread rain is expected in the UK, western France and north-west Spain. Central and southern Spain will be sunny but temperatures will only range between 9C and 15C. Rain or snow is expected on the Norwegian coast but the rest of Scandinavia will be dry with a mixture of sun and cloud. South-east Europe will have snow in the north and rain in Greece and Turkey.



Five-day forecast

Frontal systems crossing the British Isles will not reach central Europe. Unsettled conditions are expected over the UK with outbreaks of rain and occasional gale-force winds in the north. Temperatures will continue below freezing in much of central and eastern Europe. Mild and moist air with some rain will cover Scandinavia. Spain will have sunny periods but south-east Europe will remain unsettled.

Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum Celsius																
			Beijing	fair	1	Caracas	fair	28	Faro	fair	17	Madrid	cloudy	9	Rangoon	sun	30
			Belfast	rain	9	Cardiff	rain	9	Frankfurt	sun	-4	Majorca	fair	10	Reykjavik	cloudy	1
Abu Dhabi	fair	24	Belgrade	fair	-4	Casablanca	fair	16	Geneva	fair	-3	Malta	shower	11	Rio	cloudy	27
Accra	fair	32	Berlin	sun	-6	Chicago	sun	-7	Gibraltar	fair	16	Manchester	rain	9	Rome	fair	8
Algiers	shower	12	Bermuda	cloudy	22	Cologne	sun	-4	Glasgow	rain	10	Manila	cloudy	30	S. Frsco	rain	12
Amsterdam	sun	-2	Bogota	cloudy	21	Dakar	sun	25	Hamburg	sun	-4	Melbourne	cloudy	25	Seoul	snow	-1
Athens	shower	12	Bombay	fair	31	Dallas	cloudy	3	Helsinki	sun	0	Mexico City	cloudy	18	Singapore	shower	32
Atlanta	sun	5	Brussels	sun	-3	Delhi	sun	22	Hong Kong	sun	15	Miami	fair	24	Stockholm	sun	-2
B. Aires	shower	26	Budapest	cloudy	3	Dubai	fair	25	Honolulu	fair	27	Milan	fair	4	Strasbourg	sun	-5
B.ham	rain	8	C.hagen	sun	-3	Dublin	shower	10	Istanbul	shower	8	Montreal	fair	-7	Sydney	shower	28
Bangkok	fair	34	Cairo	sun	19	Dubrovnik	fair	7	Jakarta	thund	30	Moscow	fair	-6	Tangier	fair	15
Barcelona	sun	9	Cape Town	fair	27	Edinburgh	rain	10	Jersey	cloudy	5	Munich	sun	-7	Tel Aviv	fair	19
									Karachi	fair	26	Nairobi	fair	27	Tokyo	shower	10
									Kuwait	fair	21	Naples	shower	7	Toronto	fair	-3
									L. Angeles	cloudy	17	Nassau	fair	25	Vancouver	shower	0
									Las Palmas	fair	20	New York	fair	-1	Venice	fair	5
									Lima	cloudy	26	Nice	fair	8	Vienna	fair	-3
									Lisbon	fair	15	Nicosia	fair	17	Warsaw	sun	-7
									London	cloudy	7	Oslo	fair	-1	Washington	fair	1
									Lux.bourg	sun	-8	Paris	sun	-3	Wellington	cloudy	14
									Lyon	sun	-3	Perth	fair	33	Winnipeg	fair	-15
									Madeira	fair	19	Prague	fair	-7	Zurich	fair	-6

FINANCIAL TIMES
COMPANIES & MARKETS
©THE FINANCIAL TIMES LIMITED 1995 Thursday January 5 1995

IN BRIEF

Vital Forsikring shares suspended

Vital Forsikring, the Norwegian life insurance and pension group, asked for trading in its shares on the Oslo bourse to be suspended following a steep rise in their price. This followed speculation that the group was in talks with a foreign insurer over a merger or co-operation deal, and belief that it was ripe for takeover. Page 14

Philip Morris unites domestic food units
Philip Morris, the US food and tobacco group, announced a reorganisation in which all its North American food businesses will be merged into a single unit called Kraft Foods. Page 14

Saab misses sales target but sees profit
Saab Automobile, the Swedish carmaker managed and half-owned by General Motors of the US, fell short of its hoped-for car sales in 1994, but still achieved a 20 per cent increase which is set to deliver the company's first full-year profit for six years. Page 14

Indian broadcaster takes over TV-Asia
TV-Asia, the troubled London-based satellite television company, is being taken over by the Zee television group, India's leading private-sector broadcaster. Page 14

Czech Telecom flotation delayed
The Czech government yesterday added a fresh note of uncertainty to its plans to sell a 27 per cent stake in SPT Telecom, the national telephone operator, by delaying for at least a month an international tender. Page 14

MIM head announces surprise resignation
MIM Holdings, one of Australia's biggest mining companies, said that Mr Norman Fussell, its chief executive, would resign with effect from tomorrow. Page 14

Miners scramble over Cuba
Cuba's decision to open up its mineral resources to foreign exploration and investment has attracted a scramble of mining companies. "Cuba is a geological pearl," says a Canadian mineral prospector. "Here you can just take a shovel and find a deposit." Page 18

Bain Hogg sells US side for $50m
Bain Hogg, the UK insurance broking arm of Inchcape, has sold most of the operations of Bain Hogg Robinson, its US subsidiary, to Acordia, the Indianapolis-based insurance broker, for $50m. Page 16

Zovirax licence 'critical' for Wellcome
A decision next week by the US Food and Drug Administration on whether to license Wellcome's best-selling drug Zovirax as a non-prescription drug was "critical" for the company's relationship with Warner-Lambert, its new US partner, said Mr James Cochrane, Wellcome's European operations director. Page 16

High hopes for Asian markets
Investors looking to pick markets and regions which could do well this year, could heed Baring Securities which suggests a possible end to the tightening of interest rates in the US in the first quarter "might reasonably encourage a return to the major south and east Asian stock markets". Back Page

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Linotype	349.5	+	8.5
Zanders	228	+	9
Falls			
Beiersdorf	975	−	35
Goldschmidt	815	−	15
Lahmeyer	565	−	25
Leifheit	680	−	30

NEW YORK ($)

Rises			
Genentech	46¾	+	⅝
John & John	54⅝	+	¼
Mitek	29½	+	5¼
Philip Morris	58⅝	+	¾
Sciba Nova	7⅜	+	¼
Falls			
Telefonos	37⅝	−	1⅛

New York prices at 12.30pm.

PARIS (FFr)

Rises			
Banc Comp	524	+	11
Intertechnique	570	+	38
Schneider	368.4	+	16.3
Falls			
Fonc Lyon	730	−	77
Gaumont	250	−	12
Taittinger	2305	−	265

TOKYO (Yen)

Rises			
JEOL	789	+	19
Kyodo Shiryo	406	+	16
Nip Paint	718	+	34
Falls			
Hokuetsu Ppr	665	−	13
NTN	727	−	20
Oskent Corp	576	−	16

LONDON (Pence)

Rises			
Bass	523	+	7
Eurotunnel	312	+	15
Hambros	240	+	8
Harris (P)	167	+	13
MR Data	125	+	7
[illegible]	217	+	11
[illegible]	244	+	8
Falls			
Berkeley Grp	337	−	7
Bluebird Toys	220	−	6
Cambridge Isa	36	−	5
Croda Int	373	−	14
Eastern Grp	777	−	18
P & O Dfd	596	−	14
Saatchi & Saatchi	136	−	8
SEEBOARD	463	−	18
Southern Elect	799	−	21
Vodafone	199	−	9

US media group to employ proceeds from disposal to finance purchases and cut debt levels

Viacom close to $2bn cable TV sell-off

By Richard Waters in New York

Viacom, the US entertainment and media group, plans to make further acquisitions with part of the $2bn or more it expects to raise from selling its US cable television systems.

Proceeds from the sale would also be used to pay off some of the debt taken on to finance the $10bn takeover of Paramount Communications early last year.

The company refused to confirm that a deal to sell the cable systems was near completion. "At this point, any talk of a deal is merely speculation," it said.

However, one person close to the transaction said that talks had been under way for several months about selling the television systems to RCS Pacific, a company in which rival cable TV company Tele-Communications Inc (TCI) has an indirect interest.

The discussions took on a new lease of life in mid-December, after TCI received regulatory approval for a separate cable TV acquisition. That deal, in which TCI paid $1.3bn for a cable system in Virginia, was seen in the cable industry as a clear sign that the Federal Trade Commission would allow cable companies to own systems in adjoining markets, a phenomenon known as "clustering".

"This will be very similar to that transaction," said the person close to the Viacom talks.

The move to sell the cable systems follows a decision by Viacom to concentrate on making television programmes and movies, rather than trying to build a bigger distribution system. With 1.1m subscribers, the company is smaller than giants such as TCI and Time Warner, which have 18m homes between them. "We are not big enough in the cable business," the Viacom official said.

Part of the cash will be used to scale back Viacom's debt. It would be the biggest asset sale made by the company since the Paramount deal, topping the $1.1bn from the sale of its Madison Square Garden operations. "Obviously we are interested in paying down debt. But we are also interested in expanding," according to the official.

RCS is 21 per cent owned by Mr Frank Washington, a black businessman based in California, with the remainder held by Intermedia Partners, an investment group which is nearly one-third owned by TCI. By selling the operations to a minority entrepreneur, Viacom hopes to win a tax deferral on its capital gains. US tax rules grant a two-year deferral of taxes on the sale of media properties to black, hispanic or other racial minority interests.

Mr Washington was himself responsible for devising the tax break while an official in the Carter administration. Although he is not expected to contribute a significant amount towards the financing for the acquisition, he will take on management control of the cable operations, allowing Viacom to qualify for the tax concession.

Air France staff take pay cut for share plan

By John Ridding in Paris

About one-third of Air France's employees have signed up to an innovative scheme in which their salaries will be reduced in return for shares in the loss-making, state-owned airline.

The scheme is an important part of a rescue package for the French flag-carrier which suffered losses of FFr8.5bn ($1.56bn) in 1993 and FFr2.6bn in the first half of 1994. It is aimed at strengthening employees' commitment to recovery measures while reducing costs.

According to Air France, the scheme will leave about 5 per cent of its shares in employees' hands. The airline was "absolutely satisfied" with the operation, although the ceiling for employee ownership had been set at 20 per cent.

Air France said that 12,074 employees, or 35.6 per cent of those covered by the scheme, have accepted a reduction in their monthly salary of between FFr100 and FFr12,600 until the end of 1997. The average cut in salary is FFr414, providing an estimated total cost saving of about FFr235m over the three years, after social charges and retirement contributions paid by the company.

In return for the pay cuts, employees will receive shares which they must hold until mid-1998. The scheme was open to 34,000 of the airline's 39,000 employees.

The operation was based on a valuation of about FFr3.6bn for the airline, but analysts said this was not a meaningful guide to a possible privatisation value for Air France.

Air France is on the government's list of 21 public-sector companies slated for sale or already sold. Officials say privatisation will not take place until the airline has demonstrated a sustainable recovery from losses and reduced debts of more than FFr30bn.

Mr Christian Blanc, who has been implementing a restructuring since taking over as chairman in autumn 1993, and who subscribed to the maximum salary reduction in the share scheme, has made progress in improving the airline's finances. Last year's first-half losses were sharply down from the deficit of FFr3.82bn in the same period in 1993.

Mr Blanc has forecast that losses will be limited to FFr3.7bn in the 15 months to the end of March this year.

The next step in the airline's recovery package is thought to be a commercial strategy to be launched in the spring.

Kevin Done reports from the Detroit car show on developments in the US motor industry

Ford plans 20% rise in investment

Ford, the world's second-largest vehicle maker, is planning to increase its spending on new product development and capital investment by around 20 per cent during the next five years, said Mr Alex Trotman, chairman and chief executive.

It is also seeking to more than double exports from North America by the end of the decade to strengthen its position in the global car market.

The company, which invested around $32.5bn worldwide on model development and plant improvements between 1989 and 1993, has embarked on "one of the largest and most ambitious new product programmes" undertaken by the group, said Mr Ed Hagenlocker, president of Ford Automotive Operations.

Ford plans to introduce 27 new or updated vehicles in North America and Europe during the next three years, he said. At the Detroit motor show, the company unveiled its new generation Taurus/Mercury Sable family car, which is aimed at becoming the best-selling car in the US.

The Taurus/Sable range, launched in the mid-1980s, has been crucial to Ford's fortunes in North America. As Ford's highest volume car, it helped to revolutionise car design and development and led the company's recovery from heavy losses in the early 1980s. For the past three years it has led the Honda Accord as the best-selling car in the US.

Mr Hagenlocker said Ford had installed capacity to build 550,000 to 600,000 a year of the new Taurus/Sable cars at its two assembly plants in Atlanta and Chicago. Ford has cut development time for the new range to 37 months from 48 months four years ago.

The company is planning to introduce right-hand drive versions of the Taurus as it steps up its challenge in overseas markets including Japan.

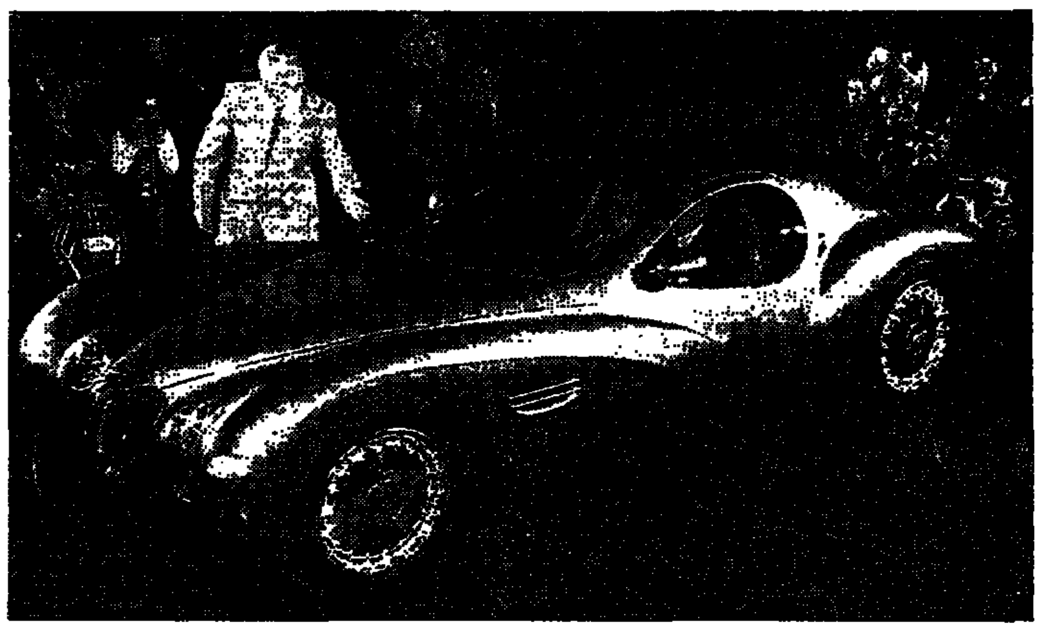
"If you are going to have a strong export presence in Asia, you need right-hand drive products," said Mr Hagenlocker.

Ford aims to increase its exports of cars and light trucks from North America from 120,000 in 1994 to 250,000 in 2000, he said.

The second-largest US vehicle maker is undertaking the most far-reaching restructuring in its history with the merger of its North American and European automotive and components businesses into one organisation, Ford Automotive Operations.

Mr Trotman said that a new study team would examine how to merge Ford's Asian, South American and African operations into Ford Automotive. The study, which will include the future of Ford's relationship with Mazda, its 25 per cent-owned Japanese affiliate, would be completed later this year. Ford had "no intentions or plans" to take majority control of Mazda, said Mr Trotman. "We simply do not aspire to put more money into Mazda ownership."

Ford was seeking to achieve big improvements in productivity as part of its Ford 2000 restructuring programme, said Mr Hagenlocker. "In the past we could make gains in cost and productivity, but these came in increments of three, five, or maybe 10 per cent. We've now reached the point, where we have squeezed the system about as much as we can. What we're looking for now are quantum leaps – improvements of the magnitude of 50, 100, even 500 per cent."



Bold concept: Chrysler's Atlantic concept vehicle is unveiled at the Detroit motor show
Reuter

Chrysler seeks management with 'split personality'

Chrysler, the smallest but most profitable of the big three US carmakers, earned record profits last year, said Mr Bob Eaton, chairman and chief executive. Third-quarter pre-tax profits were $1.06bn.

In December Chrysler's pension fund became fully funded for the first time since 1957, and the company increased its dividend payments by 167 per cent in the past 12 months, said Mr Eaton.

The group, which was on the verge of financial collapse at the beginning of the 1990s, would make profit sharing payments to its workforce next month of around two months' gross pay.

Mr Eaton said that Chrysler would be managed "with a split personality". It would be "financially conservative" and was determined to hold on to its position as "the low-cost producer of cars and trucks in the world". A five-year plan would invest nearly $23bn in product development and plant improvements.

The group, which achieved pre-tax profits of $4.2bn in the first nine months, aimed to introduce "more flexible manufacturing processes, bolder designs and shorter product cycles".

At the Detroit motor show yesterday, Chrysler unveiled its new generation minivan or multi-purpose vehicles (MPVs), to be sold under the Chrysler/Plymouth Voyager and Dodge Caravan names.

The Voyager pioneered the sector for MPVs in North America, when it was launched in 1984, and has led the development of one of the fastest growing segments of the world car market.

Chrysler's dominance of the emerging market for minivans and MPVs helped it to stave off financial collapse four years ago, and the launch of the latest MPV range, developed with an investment of $2.6bn, will help determine its fortunes in the latter 1990s.

Chrysler is increasing annual production capacity for the new Voyager from 600,000 to 670,000 at its plants at St Louis and Windsor, Ontario with with the introduction of three-shift round-the-clock working at Windsor. Production would begin in the US in February.

The group plans to start production of the range at its European assembly plant at Graz, Austria in October, with capacity there raised from 40,000 to 55,000 a year.

Mr Dennis Malecki, Chrysler planning executive for minivan operations, said production of right-hand drive vehicles would begin in summer 1996.

The minivan segment accounts for around 8.5 per cent of the total North American car and light truck market with sales of around 1.5m last year against 300,000 in 1984.

Chrysler forecast that the North American minivan market would rise to 1.7m in 1997. Chrysler accounted for around 42 per cent of the minivan market in North America last year and for more than 20 per cent of the market in Europe.

The European market is led by the Renault Espace, but the dominance of Renault and Chrysler is being challenged by several new vehicles from Fiat of Italy, Peugeot Citroën of France, Volkswagen of Germany and Ford.

These rival carmakers are anxious to establish a presence in the MPV sector, one of the fastest growing segments of the market, but VW has recently voiced fears about the profitability of its joint venture in Portugal with Ford in the face of overcapacity in the market.

SCA poised to buy stake in German pulp and paper group

By Christopher Brown-Humes in Stockholm

SCA, Sweden's second-largest forestry group, is close to finalising an agreement to buy a substantial stake in PWA, the German pulp and paper company. The move, one of the largest cross-border acquisitions in the European pulp and paper industry in the past three years, would create Europe's biggest producer of corrugated materials used to make packaging board and boxes.

It follows a decision by Viag, the German utility group, to sell its 43 per cent holding in PWA, which has a total market capitalisation of DM1.5bn (£610m) and in 1993 had sales of DM3.86bn. A German bank, with a near 10 per cent stake, is the other main shareholder.

SCA confirmed that it was in discussions to buy into the German company, but declined to elaborate. The group has made no secret of its desire to bolster its position in Germany to complement its strengths in the French and UK markets. Last year SCA pulled out of a FFr2bn (£230m) plan to buy a 90 per cent stake in Otor Holding, one of France's biggest packaging companies.

PWA concentrates on packaging, tissues, fine papers and speciality papers. It is one of Europe's biggest producers of testliner, a wastepaper-based liner board which is one of the main raw materials for corrugated board. In 1993 it made a DM240m loss but it anticipates a modest profit for 1994 on turnover of around DM4.2bn.

SCA is particularly strong on the packaging side and would mainly be interested in acquiring PWA's testliner and corrugated board activities. Its German presence in this sector is confined to a small corrugated board factory in Berlin.

PWA's tissue operations would also combine well with the hygiene product activities of Mölnlycke, SCA's biggest subsidiary.

Analysts believe the Swedish group may try to sell the fine paper business in line with its focus on publication papers rather than graphic papers.

SCA has a strong balance sheet and is understood to be prepared to sell sizeable stakes in MoDo, its fellow Swedish forestry group, and Industrivärden, an industrial holding group, to finance its expansion plans.

SCA has also restructured Mölnlycke to meet price competition in the European disposable nappy market and consolidate its position.

Vital Forsikring shares suspended after surge

By Karen Fossli in Oslo

Vital Forsikring, the Norwegian life insurance and pension group, yesterday asked for trading in its shares on the Oslo bourse to be suspended following a steep rise in their price.

This followed speculation that the group was in talks with a foreign insurer over a merger or co-operation deal, and belief that it was ripe for takeover.

The shares can remain suspended for 21 days before the company must call for trading to be resumed.

Mr Bjoern Elvestad, president, said there would not be an announcement before next week but this did not imply that a deal with a foreign insurer would be unveiled.

The group must decide whether to have one owner or several shareholders following liberalisation of foreign ownership of Norwegian companies, a result of the European Economic Area (EEA) agreement between the EU and the European Free Trade Association, of which Norway is a member.

Vital has a co-operation agreement with Swiss Life which it has said it may expand. Swiss Life holds 5.35 per cent of Vital's share capital. The pact gives Vital access to Swiss Life's product distribution network, and international companies and Norwegian companies outside Norway.

Immediately before the suspension, Vital's shares were up NKr2.50 from Tuesday's close at NKr77, and have risen 12 per cent since December 28. In the same period, the market overall has risen 0.1 per cent while the insurance sub-index has increased 2.5 per cent. Since the end of November, Vital's shares have advanced nearly 20 per cent.

Mr Elvestad attributed speculation to Vital's recent decision to merge its two classes of restricted and unrestricted shares into one class, clearing the way for expansion of foreign ownership or a potential foreign takeover. Many Norwegian groups are merging shares.

The EEA agreement allows foreigners to acquire Norwegian finance companies if an ownership concession from the finance ministry is obtained.

For nearly six months Vital has been reviewing options for structural changes. This process was stepped up in October when plans to expand co-operation with Den norske Bank, Norway's biggest bank, were thwarted when the bank formed a life insurance group.

Vital is considering expansion of product distribution links with other domestic finance companies.

It may also seek co-operation or capital from an international insurer.

About 27 per cent of Vital's share capital is currently held by foreigners.

Brokers said Vital had held talks with Aegon of the Netherlands and Zurich Insurance, but Skandia of Sweden dismissed speculation that it was interested in links with the company.

Sony forms video games subsidiary for Europe

By Alice Rawsthorn

Sony, the Japanese electronics group, is expanding its interactive entertainment interests by creating a new subsidiary to launch its video games systems in Europe.

The subsidiary, Sony Computer Entertainment (Europe), will be run by Mr Chris Deering, a former senior executive at Columbia TriStar Video International, the video division of Columbia and TriStar, the US movie studios acquired by Sony four years ago.

One of the first projects for SCE (Europe) will be the European launch of the PlayStation, the compact disc-based video games system introduced by Sony in Japan last autumn.

The PlayStation is one of the new generation of 32-bit video games, which are more powerful and sophisticated than 16-bit cartridge console games.

Sony claims to have sold more than 100,000 PlayStations on the product's first day on sale in Japan. It plans to launch the system in the US and Europe later this year, probably in early autumn.

The launch of SCE (Europe) comes at a time when Sony and its competitors in the electronics and entertainment industries are anxious to expand into the buoyant interactive entertainment market.

Walt Disney, the US entertainment company, last month announced the formation of an interactive entertainment division. Time Warner of the US and Pearson, the UK media group which owns the Financial Times, have recently made acquisitions in the games software field.

These companies, like Sony, hope to benefit from the transition from 16-bit cartridge console games towards the new disc-based systems.

The £14bn ($21.8bn) global games market, which grew rapidly in the late 1980s, has slowed in anticipation of the launch of the new games. Sales are expected to increase again once the new formats come on stream.

Dispute on tariffs delays flotation of Czech Telecom

By Vincent Boland in Prague

The Czech government yesterday added a fresh note of uncertainty to its plans to sell a 27 per cent stake in SPT Telecom, the national telephone operator, by delaying for at least a month an international tender due to have been completed in March.

The delay is the result of a dispute between the finance ministry, which is charged with preparing the new tariff policy, and SPT over future price levels for telephone calls. It comes less than a week after SPT's chairman, Mr Jiri Makovec, was deposed amid allegations of irregularities in the awarding of contracts.

The tariff policy will have a crucial bearing on the price to be paid for SPT in the tender, because it will govern price rises and determine the company's profitability and turnover up to the end of the decade. The 27 per cent stake is unofficially valued at up to $1bn, but the final price will be decided by future call charge rates.

SPT wants a significant rise in local call charges to help finance a proposed Kcs130bn ($4.7bn) investment programme up to 1998. The finance ministry says the level of investment will be much less, probably around Kcs70bn, requiring a less steep price rise.

Long distance and international charges, currently among the highest in Europe, are expected to be reduced under the new policy.

The government has already rejected a draft tariff policy that is understood to have kept local charges relatively low. Mr Jiri Domansky, director of economic policy at the telecommunications department at the finance ministry, said a revised formula should be ready in two weeks.

Ten leading international telecommunications groups are vying for the stake in SPT, in the biggest telecoms deal so far in eastern Europe. They include AT&T, Ameritech, Deutsche Telekom, PTT Telecom Netherlands, Stet International, and a consortium of Bell Atlantic and France Telecom.

They have each paid $100,000 for a range of pre-bid documents on SPT.

Rio Algom buys Alcan distribution division

By Robert Gibbens in Montreal

Alcan Aluminium is selling its US metals distribution businesses to Rio Algom, the former Canadian arm of RTZ.

Alcan's Metal Goods division is fully owned by its main US subsidiary Alcan Aluminum. It wholesales stainless steel, aluminium nickel alloys, brass and copper through 39 outlets across the US and employs 650. Sales in 1994 were almost US$500m.

The acquisition will double Rio Algom's profitable Atlas metals distribution business in Canada, the US and Mexico. Rio also owns 61 per cent of a profitable Australia and New Zealand metals distributor.

Mr Colin Macaulay, Rio president, said the deal fitted its expansion strategy in metals, while the company would continue to develop its base metals mining operations in north and south America.

Neither Alcan nor Rio would disclose the price being paid for Metal Goods.

Mr Raymond Goldie, metals analyst with Richardson Greenshields of Canada, said Alcan is concentrating on its worldwide smelting and fabricating businesses, while Rio will benefit from economies of scale and rationalisation.

In the first nine months of 1994, Rio's metals distribution business provided C$615m (US$442.4m) out of total revenues of C$852m, and the rest came from mining. Net profit was C$45.2m, or 89 cents a share, against C$22.7m, or 71 cents, a year earlier.

The metals distribution business will now have annual volume of around C$1.2bn.

Philip Morris unites domestic food units

By Richard Tomkins in New York

Philip Morris, the US food and tobacco group, yesterday announced a reorganisation in which all its North American food businesses will be merged into a single unit called Kraft Foods.

The new structure will dissolve the existing arrangement under which the group's Kraft and General Foods subsidiaries operate separately in North America, duplicating many functions.

Kraft and General Foods are two of the world's biggest food manufacturers. Kraft's brands include Kraft cheese products, Philadelphia cream cheese and Oscar Meyer hot dogs, while General Foods' brands include Maxwell House coffee, Jell-O jellies and Shredded Wheat breakfast cereal.

In 1993, the two companies had combined worldwide revenues of $30.4bn, of which $21bn came from North America.

Philip Morris acquired General Foods in 1985 and Kraft in 1988. After the Kraft acquisition, Philip Morris quickly merged the two food companies' operations internationally, but it adopted a more cautious approach to the merger of the much larger US operations. That appears to have changed with the appointment last month of Mr James Kilts as head of Philip Morris's food businesses worldwide. Mr Kilts is understood to have been keen to drop the evolutionary approach to the merger of the US operations in favour of a speedier combination.

Kraft said yesterday the two companies' purchasing had been combined – it had already announced plans to unite manufacturing.

The main functions remaining to be merged are the headquarters operations and the sales forces.

About 100 jobs may be lost through the merger of the companies' corporate offices, but no decisions have yet been taken about possible job losses among the sales workforce of 3,500.

Kraft did not spell out what cost savings it expected from the merger. It said the main reason for the move was not to cut jobs or reduce costs, but to increase the effectiveness of the food businesses – for example, by improving customer service and speeding up decision-making.

The move was welcomed by Wall Street. Philip Morris's shares rose $⅞ to $58⅜ in early trading amid a falling market.

Indian broadcaster takes over TV-Asia

By Khozem Merchant

TV-Asia, the troubled London-based satellite television company, is being taken over by the Zee television group, India's leading private-sector broadcaster.

Zee TV International, the overseas arm of the Bombay-listed Zee Telefilms, plans to buy out the majority shareholding of Mr Ketan Somaia, the Dubai-based Kenyan businessman, for about £10m ($15.6m).

The friendly takeover, initiated by Zee and concluded after a year of negotiations, is the first move in Zee's global strategy to launch dedicated channels aimed at south Asians in three geographical areas: Europe, North America and South Africa.

Zee's move provides a lifeline for TV-Asia, which has had financial and management problems since its launch in July 1992. For the 16¼-month period to September 1993, pre-tax losses totalled £8.65m on a turnover of £3.5m. Zee's takeover is the fourth change in ownership at TV-Asia since its launch.

The takeover could increase co-operation between TV-Asia and the UK's BSkyB satellite channel, as both parties share a common ultimate ownership.

BSkyB is part owned by Mr Rupert Murdoch, the media magnate who also holds a 50 per cent stake in Zee TV, which is beamed across India on the Murdoch-owned Star satellite service.

The new UK entity makes market sense, say analysts. TV-Asia, which has about 70,000 subscribers, and Zee target the same audience and offer similar programming in the same south Asian languages, besides English.

Zee has a proven record in television and is part of India's Essel trading and manufacturing conglomerate.

"Our view was there there was no room for two in the UK market," said Mr Digvijay Singh, executive director of Zee TV.

Mr Somaia, who took control of TV-Asia in the summer of 1993, heads Dolphin, a Dubai-based diversified trading and banking group chaired by Lord Parkinson, former UK Conservative party chairman.

Mr Somaia's interests in his native Kenya include the Kenya-based Delphis Bank, which bought the local branches of the Bank of Credit and Commerce International following its collapse in July 1991.

Mr Somaia's other interests include hotels and one of Kenya's biggest touring companies.

See Observer

Matif set to launch wheat futures market

By Andrew Jack in Paris

Matif, the French financial futures exchange, is poised to launch a market in wheat futures by early next year, its chairman said yesterday.

The market would build on the existing range of agricultural product derivatives offered through the exchange, which gained control of the French commodities markets when it was created nine years ago.

Wheat is the first in a series of new commodity derivative products which Matif is considering launching following reforms of the EU's common agricultural policy.

It follows the launch last October of a futures market for colza, or rape seed, the first new commodities product to be offered in Paris in more than a decade. Matif is considering it a preliminary success.

Colza was chosen because it was the first agricultural product to be liberalised, creating the volatility of crop prices which is necessary for derivatives to be useful.

Wheat was one of the next crops to have its price freed by the reforms in Brussels, and is a logical choice for Matif given France's large-scale production.

Mr Gérard Pfauwadel, Matif's chairman , said he was "encouraged" by the progress of EU agricultural reform and was almost certain to proceed with the development of wheat futures over the next few months.

His decision is based on the progress of the colza market, which has attracted 14 trading firms and averaged 220 contracts a day. He described this as "extremely encouraging".

Mr Pfauwadel said it would take at least six months to prepare the wheat contract.

He did not rule out the possibility of other types of derivatives based around colza, wheat and other products, but said futures were the most logical product to offer.

Matif currently operates commodities markets in white sugar and potatoes, and has abandoned markets in coffee and cocoa in the last two years.

Commodities are one of the few remaining new product areas the exchange sees as offering potential for expansion.

Saab misses sales target but sees profit

By Hugh Carnegy in Stockholm

Saab Automobile, the Swedish carmaker managed and half-owned by General Motors of the US, fell short of its target for car sales in 1994, but still achieved a 20 per cent increase which is set to deliver the company's first full-year profit for six years.

Saab said preliminary figures showed total unit sales worldwide reached around 89,000, a jump from 73,600 in 1993. Though ahead of the original target of 87,000 unit sales, this was less than the figure of up to 95,000 anticipated in the late summer.

The lower total was put down to production delays and other delivery problems. But Saab said the rise in sales, led by strong demand for the 900 saloon launched in mid-1993, was sufficient to ensure a full-year profit.

Mr Keith Butler-Wheelhouse, Saab's British chief executive, said: "We have now set our sights on reaching the 100,000 mark in 1995."

Saab last sold more than 100,000 cars in 1989, the year in which GM bought a 50 per cent stake in the company from its co-owner, Sweden's Saab-Scania. It last made a full-year profit in 1988. The company has since run up accumulated losses of more than SKr11bn ($1.5bn) and swallowed more than SKr8bn in new capital.

However, at the nine-month stage this year it reported a pre-tax profit of SKr284m, a SKr1.34bn improvement on the same period in 1993.

● Volvo, Saab's bigger Swedish rival, said yesterday that unit car sales in the US, its biggest single market, had risen 12.1 per cent in 1994 to 81,788. Increasing sales for both cars and trucks helped Volvo to report record profits of SKr12.7bn in the first nine months of 1994.

Tokai Bank plans London derivatives unit

By Emiko Terazono in Tokyo

Tokai Bank, a Japanese commercial bank, announced plans to set up a new derivatives subsidiary in London this month.

Tokai said Tokai Derivative Products, which will be capitalised at £100m ($156m) is to be set up in line with risk management and disclosure guidelines of leading ratings agencies.

The bank said it had received informal confirmation from Moody's Investors Service and Standard & Poor's, the US credit rating agencies, that the subsidiary would be given triple-A ratings.

The new derivatives unit will serve as an intermediary between the derivatives markets and other Tokai's London-based subsidiaries. By owning a highly-rated subsidiary, Tokai Bank, which is rated at A minus by Standard & Poor's, hopes to play a more central role in global derivatives markets, and enhance its group image within the international financial community.

Analysts expect other Japanese banks, which have been struggling with downgrades of their international credit ratings since the early 1990s, to follow Tokai's lead.

Earnings dip 9.5% at Banca del Gottardo

By Ian Rodger in Zurich

Banca del Gottardo, in which Sumitomo Bank of Japan has a majority interest, has reported a 9.5 per cent decline in non-consolidated net earnings in 1994 to SFr57m ($43.4m).

The Lugano-based bank said it suffered from reduced share dealing commissions, especially in the second half, a decline in trading profits and squeezed interest margins.

Cash flow fell by 10 per cent to SFr136.5m but bad-loan provisions were cut to SFr53.4m from SFr65m.

Total assets rose 2.6 per cent to SFr7.79bn.

The group said it would publish a consolidated income statement at the end of March, and it predicted that consolidated net income would be SFr61m, down 6 per cent.

The directors are recommending an unchanged dividend of SFr25 per share and participation certificate.

Air Hong Kong cuts fleet and reveals annual deficit

By Simon Holberton in Hong Kong

Air Hong Kong, an air cargo operator recently acquired by Cathay Pacific, yesterday said it was facing financial difficulties and would be reducing its fleet of Boeing 747 transports to two from three.

The airline, in which Cathay took a 75 per cent interest last June, has already quit the charter cargo market and sold a Boeing 707 transporter. It plans to concentrate on cargo routes to Europe and Japan.

Cathay is believed to have paid HK$200m (US$25.9m) for its interest in Air Hong Kong, an airline founded by Mr Stanley Ho, the Macao casino tycoon, who has retained a 25 per cent stake in the company.

China Southern, a Chinese airline based in Canton, was interested in acquiring Air Hong Kong but was prevented from doing so by the China government. This intervention was seen by analysts as positive for Cathay, whose position in Hong Kong after 1997 has been questioned.

Cathay said yesterday that Air Hong Kong had made substantial losses last year, but it believed there was a role for Air Hong Kong as a separate air cargo operator out of Hong Kong.

Cathay said it hoped the company might be able to break even this year.

HK start-up costs blamed for Pacific Century loss

Pacific Century Regional Developments, the insurance-to-property company partly owned by the Pacific Century group, said its recent interim loss had stemmed from the cost of developing its Hong Kong insurance subsidiary, Top Glory Insurance Co (Bermuda), Reuter reports from Singapore.

Responding to queries from the Stock Exchange of Singapore (SES) about its S$21m (US$14.5m) loss for the six months to September 30, PCRD said it had been "due mainly to the high up-front expenses incurred by Top Glory".

PCRD's interim loss, reported on December 29, compared with an operating profit of S$4.5m a year earlier and came on a 1 per cent rise in turnover to S$49.5m.

PCRD is 45.7 per cent-owned by Pacific Century Group, a private company held by Mr Richard Li, son of Hong Kong tycoon Mr Li Ka-shing.

Top Glory, which recently said it aimed to become Hong Kong's third-largest life insurer, is seen by analysts as a vehicle for Mr Richard Li's insurance ambitions in the region, especially China.

Top Glory stirred controversy in Hong Kong when Mr Andrew Yang, former chief executive of the colony's second largest life insurer, National Mutual Asia joined it early last year.

MIM head announces surprise resignation

By Nikki Tait in Sydney

MIM Holdings, one of Australia's biggest mining companies, said yesterday that Mr Norman Fussell, its chief executive, would resign with effect from tomorrow.

The surprise announcement was made after the Australian stock market had closed. There is no immediate replacement for Mr Fussell. MIM said it would name a successor "shortly" and that its chairman, Mr Bruce Vaughan, would act as chief executive in the interim period.

In a statement to the stock exchange, Mr Fussell, 57, implied that health concerns and the travel demands of the job had contributed to his decision.

"There comes a time in one's working career when it becomes necessary to move from the heavy demands associated with a chief executive's position and to look more to enjoyment of life and one's heath," he said.

His departure comes after a difficult period for MIM, whose share price made little overall progress in the five years to end-1993. The Queensland-based company responded by unwinding its large and much-criticised international investment portfolio, saying it would concentrate on core mining activities.

That process is now largely complete, and a number of big new mine developments – including the McArthur River, Cannington and Ernest Henry projects in Queensland, and the Bajo de la Alumbrera in Argentina – are either in the planning or development stage.

هكذا عن الأصل

Record trading volume for Liffe and Matif in 1994

Liffe and the Matif, Europe's two biggest futures and options markets, yesterday reported record trading volumes in 1994, confirming the current strength of international derivatives exchanges.

Earlier this week the world's two biggest exchanges, the Chicago Board of Trade and the Chicago Mercantile Exchange also reported record years.

Growth has been concentrated in interest rate products, demand for which has surged as a result of rising rates and volatility in the world's bond and money markets.

Trading volumes at Liffe increased by 50 per cent to reach 153,034,471 contracts, while Matif reported a 29.3 per cent increase in trading volume to 93,437,147 contracts.

At the CME volume rose 40 per cent, to a record 206m contracts. December was the second-busiest month ever, with 20m contracts changing hands.

In the midst of a volume race with the Chicago Board of Trade, the CME changed its method of counting contracts last year. By this more liberal measure the exchange said its volume was 226.3m contracts in 1994.

The CBoT reported a 23 per cent increase to 219m contracts in 1994. The CBoT's December volume, at 13.7m, was up 6 per cent from the previous December.

Mr Daniel Hodson, chief executive of Liffe, said the market's performance in the first half of the year had been "quite exceptional". During 1994 daily volume at Liffe rose to 607,280 contracts, representing annual daily turnover of £132.7bn.

DERIVATIVES

Liffe set a daily record on March 2 1994 of 1.6m contracts and on 12 days during the first quarter of the year Liffe traded more contracts than any other derivatives exchange in the world.

Since the first half, growth had slowed. Mr Hodson estimated volume was currently increasing at an underlying rate of 20 per cent and predicted growth of between 10 per cent and 20 per cent in 1995.

Trading in Italian lire and D-Mark-denominated products showed the fastest growth, with three-month eurolira futures increasing by 134 per cent and Italian government bond options up by 71 per cent.

Trading in Liffe's long gilt future grew by 61 per cent and short sterling futures by 37 per cent. Liffe's equity index products, the FT-SE 100 index future and options and the FT-SE 250 futures contract grew by 36 per cent and 39 per cent respectively.

Open interest, the best indicator of liquidity and long-term use of the market, settled at 3,144,159 contracts on December 30 1994.

At Matif, average daily volume in 1994 was 373,749 lots and average open interest represented 1,473,536 contracts, a 9.6 per cent increase compared with 1993. The Notional confirmed its position as the most heavily traded future in Europe with a 38.3 per cent increase over 1993, totalling more than 50m contracts and a daily average of more than 200,000 lots.

The options on the Notional future posted the highest growth rate of all Matif contracts with a 55 per cent increase in volume. Average open interest stood at 600,000 contracts. Trading in the CAC-40 future contract saw a 26.3 per cent progression, averaging 30,000 daily lots.

Both the Japanese and German futures exchanges have also reported record volumes for 1994.

Trading volumes at the Tokyo International Financial Futures Exchange (Tiffe) also rose to record highs last year. Annual volume of 38,034,953 contracts was 57.7 per cent greater than in 1993.

The Deutsche Terminbörse saw an increase of 17.9 per cent to 59,208,630 contracts.

In order to meet rising demand, several exchanges, including Liffe and the CBoT, have announced plans to expand trading space this year.

Richard Lapper and Laurie Morse

Gilts edge higher as Treasuries stage recovery from lows

By Graham Bowley in London and Lisa Bransten in New York

UK gilts pushed cautiously higher in thin trade yesterday, buoyed by strength in US Treasuries and outperforming other European bond markets.

GOVERNMENT BONDS

The 10-year yield spread between gilts and German government bonds narrowed to 122 basis points from a close of 131 on Tuesday, with dealers reporting some switching out of European markets into gilts.

The long end of the gilt yield curve performed particularly strongly, dealers said. However, further progress is limited by the threat of supply hanging over the market from four existing tap stocks in the five- to 18-year areas and an auction at the end of this month.

The March long gilt future on Liffe was up ½ point at 100 25/32 in late trading.

■ German bunds moved lower in subdued conditions and are expected to remain in a tight trading range before US employment data due to be released on Friday.

Dealers reported switching by investors from shorter-dated to longer maturities as they adopted a more defensive stance in anticipation of rises in short-term interest rates later in the year. However, the Bundesbank is unlikely to change short-term interest rates at today's council meeting, analysts said.

The March bund contract on Liffe was down 0.04 points at 88.72 in late trading.

■ Elsewhere, Spanish government bonds ended the day slightly down, in spite of a sharp rally in early trading following a rise in short-term interest rates. Italian government bonds fell back on disappointment over lack of progress in resolving the country's current political problems.

■ US Treasury prices bounced off Tuesday's lows as the dollar firmed against the Japanese yen and the D-Mark.

By midday, the 30-year government bond was up 15/32 at 95 19/32 yielding 7.876 per cent. At the short end, the two-year note rose ⅛ to 99 11/16, yielding 7.656 per cent.

There was little fresh economic data and volumes were light as traders held positions in advance of important employment figures due tomorrow.

The market showed little reaction to figures released at mid-morning showing that November construction expenditure had risen 0.7 per cent, slightly more than economists' expectations of a 0.5 per cent rise. Still, the figure was down from October's 0.9 per cent increase.

Instead, traders focused on the rising dollar. By late morning, the dollar had risen to Y101.36 and DM1.561 from Y100.67 and DM1.561 late on Tuesday.

Tuesday's market was troubled by a report from the National Association of Purchasing Management that showed the prices paid component of its December index of business activity at a 14-year high.

The main index, however, showed the pace of growth in the manufacturing sector down from November.

S African bank seeks $75m loan

By Martin Brice

First National Bank of Southern Africa is seeking a $75m loan on the international syndicated lending market, marking the country's increased access to global capital markets since the end of apartheid.

The loan, which is due to be launched into general syndication today, is believed to be the first public syndicated loan for South Africa to be structured without recourse to trade receivables.

FNB was advised by Henry Ansbacher, its merchant banking subsidiary, and the one-year loan is being arranged by Fuji Bank. There is a commitment fee of 20 basis points, and the loan has a margin of 55 basis points over the London interbank offered rate, plus maximum participation fees of 10 basis points for an amount of $10m.

Heavy issuance leads to fears of overhang

By Martin Brice

A flood of issues caused another hectic day in the eurobond market as borrowers yesterday took advantage of favourable swap opportunities for shorter maturities and strong retail demand.

INTERNATIONAL BONDS

One dealer said: "I think we are all surprised by the ferocity of the market." Another said: "The market cannot absorb this. We need to see some absorption of this paper."

Dealers said that more than $5bn of issues had emerged within two days but only about 25 per cent of that had been placed, leaving more than $3.5bn of bonds overhanging the market.

Much of yesterday's paper followed the trend of short-dated dollar issuance aimed at retail investors. However, the largest of yesterday's dollar deals was aimed at institutional investors for Sallie Mae, the US Student Loan Marketing Association, by IBJ and Nomura.

This caused comment from other houses as two Japanese banks had won a mandate to bring the year's first global dollar deal from a US borrower.

The $500m, two-year deal was said to have found firm demand from central banks in the Middle East and Asia, and Japanese investors in the US.

The $400m offering from AT&T via CSFB was the longest-dated dollar deal, with a five-year maturity, which other houses said had met good demand from both retail and institutional investors.

Two UK building societies came to market – Birmingham and Midshires via NatWest Markets, and Abbey National with an offering via Deutsche Bank, HSBC and San Paolo which was said to have met good demand from investors in the Benelux region, Germany and Italy. Deutsche Bank also brought a bond for Eurofima which was also targeted at Benelux investors.

Dealers noted that the two-year $200m deal for Schleswig-Holstein was launched on Tuesday at 40 basis points over US Treasuries and yesterday tightened in to around 35 basis points over.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Sallie Mae	500	7.875#	100.00R	Feb.1997	0.125R	+20(7½%-96)	IBJ Intl./ Nomura Intl.
AT&T	400	8.25	100.072R	Jan.2000	0.275R	+20(7¾%-99)	CS First Boston
GMAC	250	8.50	99.73R	Jan.1998	0.25R	+60(7¾%-97)	CS First Boston
OKB	200	8.00	101.10	Jan.1997	1.125	-	Swiss Bank Corp.
GECC	200	8.00	99.89R	Jan.1997	0.125R	+18(7½%-96)	UBS
DSL Bank(a)	200	8.00	99.862R	Jan.1997	0.125R	+20(7½%-96)	Nikko Europe
Depfa Bank(b)	200	8.25	99.933R	Feb.1997	0.15R	+40(7½%-96)	HSBC Markets
Bank Austria	100	8.00	99.907R	Feb.1997	0.125R	+18(7½%-96)	Paribas Capital Markets
STERLING							
Birmingham Midshires B/S(c)‡	200	(c1)	99.865R	Apr.1998	0.125R	-	NatWest Markets
OKB(d)	150	8.375	99.99R	Dec.1996	0.125R	+16½(10%-96)	SG Warburg Securities
SWISS FRANCS							
GECC	200	5.25	102.30	Feb.1999	1.75	-	UBS
European Sovereign Invs.(d)*	125	5.75	102.20	Aug.1999	1.50	-	Credit Suisse
LB Schleswig-Holstein	100	5.50	102.50	Feb.2002	2.50	-	Banca del Gottardo
Oberoesterreichische LB	100	5.50	102.75	Jan.2000	2.00	-	Credit Suisse
ITALIAN LIRE							
Crédit Local de France	300bn	zero	82.45	Jan.1997	1.125	-	Cariplo/Credito Italiano
Eurofima	250bn	11.125	101.574	Feb.2000	1.75	-	Deutsche Bank London
Abbey National Treas.Services	200bn	11.25	101.325	Feb.1998	1.375	-	Deutsche/HSBC/San Paolo
ECUS							
GECC	150	8.25	100.075R	Jan.1999	0.20R	-	Swiss Bank Corp.
BNG(e)	50	8.125	99.605R	Dec.1998	0.225R	+5(7¼%-98)	Barclays de Zoete Wedd
AUSTRALIAN DOLLARS							
NSW Treasury Corp.*	200	4.50#	87.186	Jan.1998	1.375	-	Nomura International
ESCUDOS							
Eurofima‡	10bn	(f)	100.00	Jan.2005	undiscl.	-	Banco Pourtugues de Invs.

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. *Unlisted. ‡Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Long 1st coupon. b) Long last coupon. c) Callable on any coupon date from Apr.97 at par. c1) 3-mth Libor +8bp. d) Short 1st coupon. e) Fungible with Ecu150m. Plus 55 days accrued. Spread relates to French Govt Ecu BTAN's. f) 6-mth Lisbor -15bp.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		6.500	09/04	92.7500	−0.760	10.19	9.99	10.16
Belgium		7.750	10/04	95.2100	+0.090	8.48	8.32	8.23
Canada *		9.000	12/04	98.7000	−0.050	9.20	8.99	8.96
Denmark		7.000	12/04	86.7000	+0.130	9.09	8.94	8.64
France	BTAN	8.000	05/98	100.3750	+0.190	7.91	7.69	7.27
	OAT	7.500	04/05	93.9000	+0.010	8.40	8.11	7.91
Germany Bund		7.500	11/04	98.7900	−0.010	7.67	7.50	7.34
Italy		8.500	08/04	80.2500	+0.040	12.03†	11.99	11.71
Japan	No 119	4.800	06/99	103.6400	-	3.83	3.88	3.91
	No 164	4.100	12/03	96.1580	−0.730	4.71	4.54	4.63
Netherlands		7.250	10/04	96.2600	+0.020	7.80	7.65	7.46
Spain		10.000	02/05	86.6900	−0.130	11.75	11.68	11.13
UK Gilts		6.000	08/99	90-08	+9/32	8.62	8.48	8.54
		6.750	11/04	87-04	+12/32	8.72	8.46	8.61
		9.000	10/08	102-18	+11/32	8.68	8.45	8.55
US Treasury *		7.875	11/04	100-06	+7/32	7.84	7.74	7.77
		7.500	11/24	95-19	+15/32	7.88	7.76	7.88
ECU (French Govt)		6.000	04/04	82.8700	+0.120	8.76	8.50	8.26

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime — Treasury Bills and Bond Yields

		One month	5.39	Two year	7.67
Prime rate	8½	Two month	5.33	Three year	7.79
Broker loan rate	8½	Three month	5.94	Five year	7.83
Fed.funds	5⅝	Six month	6.64	10-year	7.85
Fed.funds at intervention	-	One year	7.18	30-year	7.90

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	109.72	109.54	-0.08	109.82	109.50	115,548	131,380
Jun	109.04	108.86	-0.08	109.06	108.90	331	2,642
Sep	108.48	108.30	-0.08	108.48	108.36	71	1,065

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Feb	Calls Mar	Calls Jun	Puts Feb	Puts Mar	Puts Jun
110	0.65	1.08	-	1.07	1.50	2.00
111	0.26	0.66	1.02	1.70	2.10	2.52
112	0.11	0.40	-	-	2.80	-
113	0.02	0.21	-	-	-	-
114	-	0.11	0.32	-	-	-

Est. vol. total, Calls 21,588 Puts 23,987. Previous day's open int., Calls 147,423 Puts 136,504.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	88.81	88.74	-0.02	88.94	88.66	69718	172606
Jun	88.20	88.14	-0.02	88.20	88.20	28	1406

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Feb	Calls Mar	Calls Apr	Calls Jun	Puts Feb	Puts Mar	Puts Apr	Puts Jun
8850	0.64	0.92	0.83	1.14	0.40	0.68	1.19	1.50
8900	0.39	0.67	0.63	0.93	0.65	0.93	1.49	1.79
8950	0.21	0.46	0.46	0.75	0.97	1.22	1.82	2.11

Est. vol. total, Calls 3736 Puts 6304. Previous day's open int., Calls 148853 Puts 88105

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	99.05	98.86	-0.08	99.53	98.81	22935	45032
Jun		98.36	+0.12			0	20

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
9850	1.76	2.56	1.40	2.70
9900	1.47	2.33	1.61	2.97
9950	1.22	2.11	1.86	3.25

Est. vol. total, Calls 685 Puts 710. Previous day's open int., Calls 16118 Puts 15724

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	84.10	84.02	-0.03	84.50	84.01	28,948	47,619

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	100-11	100-24	+0-17	100-26	100-07	39936	95903
Jun		99-24	+0-17			0	0

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
100	1-47	1-62	0-63	2-14
101	1-12	1-34	1-28	2-50
102	0-48	1-11	2-00	3-27

Est. vol. total, Calls 3411 Puts 5041. Previous day's open int., Calls 27316 Puts 33348

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	79.86	79.98	+0.12	80.12	79.86	5,034	6,482

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	98-24	99-02	+0-11	99-04	98-24	186,574	337,095
Jun	98-14	98-22	+0-10	98-24	98-13	625	13,238
Sep	98-14	98-14	-	98-14	98-14	130	1,757

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Mar	107.71			107.71	107.53	2521	0

* LIFFE contracts traded on APT. All Open Interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Wed Jan 4	Day's change %	Tue Jan 3	Accrued interest	xd adj. ytd		Low coupon yield Jan 4	Low Jan 3	Low Yr. ago	Medium coupon yield Jan 4	Medium Jan 3	Medium Yr. ago	High coupon yield Jan 4	High Jan 3	High Yr. ago
1 Up to 5 years (24)	118.62	+0.09	118.89	1.50	0.51	5 yrs	8.89	8.73	5.70	8.70	8.73	5.93	8.89	8.94	6.01
2 5-15 years* (22)	139.05	+0.26	138.69	2.31	0.00	15 yrs	8.58	8.61	6.41	8.71	8.74	6.52	8.92	8.95	6.74
3 Over 15 years (9)	154.62	+0.27	154.20	1.85	1.19	20 yrs	8.53	8.55	6.50	8.71	8.74	6.57	8.86	8.87	6.75
4 Irredeemables (6)	175.54	+0.04	175.46	1.39	0.00	Irred.†	8.59	8.60	6.62						
5 All stocks* (61)	135.93	+0.20	135.79	1.97	0.37										

Index-linked	Wed Jan 4	Day's change %	Tue Jan 3	Accrued interest	xd adj. ytd		Inflation 5% Jan 4	Inflation 5% Jan 3	Inflation 5% Yr. ago	Inflation 10% Jan 4	Inflation 10% Jan 3	Inflation 10% Yr. ago
6 Up to 5 years* (2)	187.13	−0.02	187.16	1.31	0.00	Up to 5 yrs	4.13	4.11	2.16	2.90	2.87	1.33
7 Over 5 years* (11)	173.53	+0.04	173.46	0.80	0.00	Over 5 yrs	3.88	3.88	2.92	3.69	3.69	2.75
8 All stocks* (13)	174.05	+0.03	173.99	0.84	0.00							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.
* Due to technical problems, indices for 30 December 1994 were incorrect. For corrected indices please fax FT Statistics on 071 873 3080.

FT FIXED INTEREST INDICES

	Jan 4	Jan 3	Dec 30	Dec 29	Dec 28	Yr ago	High*	Low*
Govt. Secs. (UK)	90.80	90.77	90.87	91.03	92.01	106.46	107.04	89.54
Fixed interest	109.45	109.53	109.55	109.71	109.84	130.99	233.87	106.60

* for 1994/5. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Jan 3	Dec 30	Dec 29	Dec 28	Dec 23
Gilt Edged bargains	73.8	51.5	60.7	68.8	75.1
5-day average	52.1	37.2	52.3	54.3	38.8

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or −	1994/95 High	1994/95 Low
Shorts* (Lives up to Five Years)						
Treas 12pc 1995	11.94	5.88	100½xd	—	107⅛	100½
Exch 3pc Gas 1990-95	3.03	6.01	99	—	103¾	97¾
10¼pc 1995	10.08	6.76	101⅞xd	—	107½	101⅞
Treas 12¾pc 1995‡‡	12.18	6.94	104½	−1/16	113⅝	104½
14pc 1996	13.11	7.20	106½xd	—	117⅛	106½
15¼pc 1996‡‡	13.92	7.56	109⅝	−1/16	121½	109⅝
Exch 13¼pc 1996‡‡	12.36	7.80	107⅛	—	117½	107⅛
Conversion 10pc 1996	9.69	8.08	103⅛	−1/32	112⅛	103⅛
Treas Cnv 7pc 1997‡‡	7.20	8.21	97⅛xd	—	100⅝	96⅝
Treas 13¼pc 1997‡‡	12.12	8.21	109⅛xd	−1/16	121½	109⅛
Exch 10½pc 1997	10.06	8.26	104⅛	−1/16	114⅛	104⅛
Treas 8¾pc 1997‡‡	8.68	8.37	100⅛	—	110⅛	100⅛
Exch 15pc 1997	12.96	8.49	115¾	+1/32	131½	115¼
9¾pc 1998	9.46	8.56	103⅛xd	+1/32	114½	102½
Treas 7¼pc 1998‡‡	7.52	8.54	96⅜	+1/16	106⅛	95⅜
Treas 6¾pc 1995-98‡‡	7.11	8.52	94½	+1/16	102	93½
14pc 1998-1	12.15	8.70	115⅛	+1/16	131⅛	115⅛
Treas 15½pc '98‡‡	12.74	8.59	121⅝	+1/16	140⅛	121½
Exch 12pc 1998	10.85	8.71	110⅝	+1/16	125½	110⅝
Treas 9½pc 1999‡‡	9.23	8.63	102⅞xd	+⅛	116⅛	101½
Exch 12¼pc 1999	10.92	8.73	112⅛	+1/16	128⅛	111½
Treas 10½pc 1999	9.85	8.66	106⅝	+1/16	121⅛	105⅝
Treas 6pc 1999‡‡	6.65	8.64	90⅛xd	+¼	101½	89½
Five to Fifteen Years						
Conversion 10¼pc 1999	9.68	8.71	105½	+⅛	121½	104½
Treas Flg Rate 1999	—	—	99⅝	—	100⅛	99½
8pc 2000	8.24	8.61	97⅛	+1/16	99⅝	96
Conv 9pc 2000‡‡	8.89	8.88	101¼	+1/16	118⅛	99⅞
Treas 13pc 2000	11.02	8.81	118xd	+¼	136½	116½
10pc 2001	9.50	8.83	105⅛	+1/16	122⅛	103½
7pc 2001‡‡	7.68	8.74	91¼	+1/16	106⅛	89½
9¾pc 2002	9.32	8.87	104½	+1/16	123⅛	102½
8pc 2003‡‡	8.40	8.76	95¼	+1/16	113½	92⅞
10pc 2003	9.37	8.85	106½	+1/16	127⅛	104½
Treas 11½pc 2001-4	10.29	8.97	111¾	+1/16	129½	109½
Funding 3½pc 1999-4	4.77	7.47	73⅛xd	+1/16	88⅛	69¼
Conversion 9½pc 2004	9.10	8.81	104⅜	+1/16	125⅛	101½
Treas 6¾pc 2004‡‡	7.75	8.71	87⅛	+1/16	105¼	84½
8½pc 2005	8.63	8.66	98½	+1/16	100½	97
Conv 9½pc 2005	9.07	8.78	104½	+1/16	125½	102⅛
Treas 12½pc 2003-5	10.37	9.05	120⅝	+1/16	143⅛	118⅛
7¾pc 2006‡‡	8.32	8.68	93⅛	+1/16	112½	90⅛
8pc 2002-6‡‡	8.47	8.75	94½	+1/16	111⅝	91½
Treas 11¾pc 2003-7	10.21	9.06	115⅛xd	+1/16	138⅛	112¼
Treas 8½pc 2007‡‡	8.63	8.69	98½xd	+¼	119⅛	95½
13½pc 2004-8	10.61	9.05	127¼	+1/16	151⅛	124½
Treas 9pc 2008‡‡	8.78	8.67	102½	+¼	124½	99½
Treas 8pc 2009	8.45	8.66	94⅝	+⅛	115⅛	91½
Over Fifteen Years						
Treas 8 1/4pc 2010	7.78	8.52	80⅛	+1/16	98⅛	77½
Conv 9pc Ln 2011‡‡	8.71	8.61	103⅛xd	+1/16	128½	100½
Treas 9pc 2012‡‡	8.69	8.59	103⅛xd	+¼	127⅝	100⅝
Treas 5½pc 2008-12‡‡	7.45	8.35	73⅞	+1/16	93⅞	71⅛
Treas 8pc 2013‡‡	8.43	8.54	94½	+1/16	117½	92
7¾pc 2012-15‡‡	8.38	8.54	92⅛xd	+1/16	114⅛	89⅛
Treas 8¾pc 2017‡‡	8.57	8.53	102⅛	+1/16	128⅝	99½
Exch 12pc 2013-17	9.28	8.75	129½	+1/16	159½	126⅛
Undated						
Consols 4pc	8.80	-	45½xd	−⅛	59⅛	44½
War Loan 3½pc‡‡	8.52	-	41⅛	+1/16	54½	39½
Conv 3½pc '61 Aft	6.07	-	57½	−½	71	55⅝
Treas 3pc '66 Aft	8.66	-	34⅝	−1/16	44⅝	33½
Consols 2½pc	8.51	-	29⅝xd	+¼	38½	28⅛
Treas. 2½pc	8.72	-	28½	−⅛	37⅝	27½

Index-Linked (b)	Notes	Yield (1)	Yield (2)	Price £	+ or −	1994/95 High	1994/95 Low
2pc '96	(67.9)	2.68	4.18	201⅛	−1/16	203⅝	197½
4⅝pc '98‡‡	(135.6)	3.13	3.98	106⅛	—	113½	105⅛
2½pc '01	(78.3)	3.45	3.88	166⅛	+1/16	176⅞	163½
2½pc '03	(78.8)	3.54	3.88	162⅛	—	173⅝	159⅛
4⅝pc '04‡‡	(135.6)	3.56	3.83	108½	+1/16	118⅞	107⅛
2pc '06	(69.5)	3.61	3.85	168½xd	+1/16	184½	165⅛
2½pc '09	(78.8)	3.66	3.87	152½	—	168⅛	149⅛
2½pc '11	(74.6)	3.68	3.87	157½	+1/16	175⅝	154⅛
2½pc '13	(89.2)	3.70	3.87	129½	+1/16	146⅛	126⅛
2½pc '16	(81.6)	3.72	3.89	138⅛xd	+1/16	157⅛	134⅛
2½pc '20	(83.0)	3.75	3.89	132⅝	+1/16	152½	128½
2½pc '24‡‡	(97.7)	3.74	3.87	110⅛xd	—	129⅛	106⅛
4⅛pc '30‡‡	(135.1)	3.77	3.91	109⅝xd	—	128½	105⅞

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in February 1987. Conversion factor 3.945. RPI for April 1994: 144.2 and for November 1994: 145.3.

Other Fixed Interest

Notes	Yield Int	Yield Red	Price £	+ or −	1994/95 High	1994/95 Low
Asian Dev 10¼pc 2009	9.31	9.02	110⅛	+1/16	138⅛	107⅛
B'ham 11½pc 2012	9.66	9.41	119	—	142	115
Ireland Cap 8½pc '10	8.70	-	97⅞	—	116½	97½
9pc Cap 1996	8.93	-	100¼	—	103½	99¾
13pc '97-2	12.05	-	107⅞	—	115⅞	106
Hydro Quebec 15pc 2011	10.63	9.93	141⅛	+1/16	169½	137½
Leeds 13½pc 2006	10.51	-	128½	—	149⅞	125
Liverpool 3½pc Irred	9.46	-	37	—	44⅞	33⅞
LCC 3pc '20 Aft	9.23	-	32½	—	40½	28¾
Manchester 11½pc 2007	9.96	9.50	115½	—	136⅛	111⅞
Met. Wtr 3pc 'B'	4.30	7.98	69⅞	—	78	66½
N'wide Anglia 3⅞pc 2021	-	4.56	132	—	150¼	129⅞
4⅛pc IL 2024	-	4.54	126⅛	—	145¼	123⅞
Utd Mex States 16½pc 2008	11.87	-	129	—	158½	134⅞

■ 'Tap' stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on January 4

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	88⅛	88⅞		8.53
Alberta Province 7⅝ 98	1000	98	98¼		8.24
Austria 8½ 00	400	101⅛	101½		8.21
Bank Ned Gemeenten 7 99	1000	95¾	96		8.12
Bank of Tokyo 8⅛ 96	100	100	100½		8.32
Belgium 5½ 03	1000	82⅞	82⅝		8.40
BFCE 7⅞ 97	150	99¼	99⅝	+⅛	8.12
British Gas 0 21	1500	10⅞	11¼		8.62
Canada 9 98	1000	101⅛	101½		7.90
Cheung Kong Fin 5½ 98	500	87⅞	88⅛	+⅛	9.53
China 6½ 04	1000	84¼	84¾		9.28
Council Europe 8 98	100	99¾	100⅛		8.12
Credit Foncier 9½ 99	300	104¼	104⅝		8.23
Denmark 5¾ 98	1000	93½	93¾		8.17
East Japan Railway 6⅝ 04	600	88¾	89		8.42
ECSC 8¼ 96	193	100¼	100½	+⅛	8.16
EEC 8¼ 96	100	100¼	100⅝		8.00
EIB 7¾ 96	250	99¾	100⅛		7.88
EIB 9¼ 97	1000	102¾	103		8.12
Elec de France 9 98	200	101⅞	102¼	+⅛	8.29
Eurofima 9¼ 96	100	101¼	101½		8.06
Ex-Im Bank Japan 8 02	500	98¾	99⅛		8.22
Export Dev Corp 9½ 98	150	103⅝	104		8.24
Federal Natl Mort 7.40 04	1500	95½	95⅞		8.31
Finland 6¾ 97	3000	96⅝	96¾	+⅛	8.24
Ford Motor Credit 6¼ 98	1500	94⅛	94⅝	−⅛	8.59
Gen Elec Capital 9⅞ 96	300	101½	101⅞	−⅛	8.15
GMAC 9⅛ 96	200	100¾	101⅛		8.39
Ind Bk Japan Fin 7⅞ 97	200	98½	99⅛		8.59
Inter Amer Dev 7⅝ 96	200	99¾	99⅞		8.08
Italy 6⅞ 23	3500	78⅛	78½		9.22
Japan Dev Bk 8⅜ 01	500	100¼	100½	+⅛	8.31
Kansai Elec Pwr 10 96	350	102⅛	102⅞		8.07
Korea Elec Power 6⅜ 03	1350	84½	85⅛		9.13
LTCB Fin 8 97	200	99	99½	+⅛	8.55
Matsushita Elec 7¼ 02	1000	94⅝	94⅞	+⅛	8.38
Norway 7¼ 97	1000	98½	98¾	+⅛	7.97
Ontario 7⅜ 03	3000	93⅞	94⅛		8.61
Oster Kontrollbank 8½ 01	200	100⅞	101¼		8.30
Petro-Canada 7¼ 96	200	98⅞	99⅛	+⅛	8.10
Portugal 5¾ 03	1000	83¾	84		8.58
Quebec Hydro 9¾ 98	150	103⅜	103⅞		8.63
Quebec Prov 9 98	200	101	101½		8.61
Sainsbury 9⅛ 96	150	101¼	101⅝		8.28
SAS 10 99	200	103⅛	103⅞		9.05
SNCF 9½ 98	150	103⅝	104		8.25
Spain 6½ 03	1500	93⅛	93⅜		8.23
State Bk NSW 8½ 96	200	100¼	100⅝		8.25
Sweden 8½ 03	2000	89¼	89½		8.51
Swedish Export 6⅞ 98	700	100¼	100½		8.10
Tokyo Elec Power 6⅛ 03	1000	86⅞	86⅞		8.36
Tokyo Metropolis 8¼ 96	200	100¼	100½		8.07
Toyota Motor 5⅝ 98	1500	93¼	93½	+⅛	8.09
United Kingdom 7¼ 02	3000	95	95¼		8.13
World Bank 8⅛ 99	1500	101⅞	101⅝		8.18
World Bank 8¾ 97	1500	101¾	102		8.00
DEUTSCHE MARK STRAIGHTS					
Austria 6½ 24	2000	81⅝	81⅞	−⅛	8.17
Credit Foncier 7¼ 03	2000	95½	95⅞		8.02
Denmark 6⅛ 98	2000	97¼	97½		7.06
Depfa Finance 6⅞ 03	1500	89¼	89⅞	−⅛	8.05
Deutsche Bk Fin 7½ 03	2000	97	97½	−⅛	8.01
EEC 6½ 00	2900	96⅛	96⅞		7.30
EIB 6¼ 00	1500	95¼	95⅝		7.36
Finland 7½ 00	3000	100⅛	100⅜		7.47
Italy 7¼ 98	5000	99½	99¾	−⅛	7.38
LKB Baden-Wuert 6½ 08	2250	86⅞	87¼		8.12
Norway 6½ 98	1500	97½	97¾		7.06
Ontario 6¼ 04	1500	88⅞	89½		8.12
Spain 7¼ 03	4000	95¾	95⅞		7.97
Sweden 8 97	2500	101⅝	102	−⅛	7.33
United Kingdom 7⅛ 97	5500	100⅛	100½		6.96
Volkswagen Intl Fin 7 03	1000	93⅛	93⅜	−¼	8.11
World Bank 0 15	2000	20⅝	21⅛	−⅛	7.89
World Bank 5⅞ 03	3000	87⅝	87⅞		7.86
World Bank 8¾ 00	1250	109⅛	109⅜	+⅛	6.80
SWISS FRANC STRAIGHTS					
Asian Dev Bank 6 10	100	101½			5.85
Austria 4½ 00	1000	97⅝	97¾		5.04
Council Europe 4¾ 98	250	100	100¼		4.75
Denmark 4¼ 99	1000	96⅞	97		5.00
EIB 6¾ 04	300	107	108		5.79
Elec de France 7¼ 06	100	109¼	109½	+¼	6.07
Finland 7¼ 99	300	107	107½		5.53
Hyundai Motor Fin 8½ 97	100	106	107		5.99
Iceland 7⅞ 00	100	108	109		5.89
Kobe 6⅜ 01	240	104	104½		5.62
Ontario 6¼ 03	400	102½	103		5.85
Quebec Hydro 5 08	100	86½	87		6.55
SNCF 7 04	450	109	109½		5.76
World Bank 5 03	150	97¼	97¾		5.40
World Bank 7 01	600	108	109		5.43
YEN STRAIGHTS					
Belgium 5 99	75000	103⅛	103⅞	−¼	4.29
EIB 6⅝ 00	100000	110⅛	110⅝	−⅛	4.35
Finland 6¾ 96	50000	104⅝	104⅞		2.84
Inter Amer Dev 7¼ 00	30000	114	114¼	−¼	4.27
Italy 3½ 01	300000	92¼	92⅞	−⅛	4.88
Japan Dev Bk 5 99	100000	103½	103⅝	−¼	4.17
Japan Dev Bk 6½ 01	120000	110½	110⅝	−½	4.64
Nippon Tel Tel 5⅞ 96	50000	104½	104⅞	−⅛	3.14
Norway 5⅜ 97	150000	104⅛	104¼	−⅛	3.32
SNCF 6¾ 00	30000	110⅝	110⅞	−⅛	4.40
Spain 5⅜ 02	125000	106⅛	106¼	−⅛	4.73
Sweden 4⅝ 98	150000	102¼	102½	−¼	3.84
World Bank 5¼ 02	250000	103½	103⅝	−⅛	4.73
OTHER STRAIGHTS					
Genfinance Lux 9¼ 99 LFr	1000	104½	105½		7.83
IKB Deut Industbk 8½ 03 LFr	3000	100¼	101¼		8.48
World Bank 8 96 LFr	1000	100½	101¼		7.53
ABN Amro 6¾ 00 Fl	1000	95¼	95⅝		7.75
Bank Ned Gemeenten 7 03 Fl	1500	94	94⅜		8.02
AlbertaProvince 10⅝ 96 C$	500	101⅜	101⅞		8.96
Bell Canada 10⅝ 99 C$	150	102⅞	103⅜	−⅛	9.81
British Columbia 10 96 C$	500	101	101⅛		9.13
EIB 10⅛ 98 C$	130	104	105		8.61
Elec de France 9¾ 99 C$	275	101¼	101¾		9.38
Gen Elec Capital 10 96 C$	300	101	101½		9.14
KfW Int Fin 10 01 C$	400	101⅜	101⅞	−⅛	9.68
Nippon Tel Tel 10¼ 99 C$	200	102½	103	−⅛	9.56
Ontario 8 03 C$	1500	90⅞	91¼	−⅛	9.67
Ontario Hydro 10⅞ 99 C$	500	104⅛	104½		9.62
Oster Kontrollbank 10¼ 99 C$	150	102⅝	103⅛	−⅛	9.48
Quebec Prov 10½ 98 C$	200	102⅞	102¾	+⅛	8.73
Belgium 9⅛ 96 Ecu	1250	101⅞	102		7.39
Council Europe 9 01 Ecu	1100	101⅛	101½	−⅛	8.77
Credit Lyonnais 9 96 Ecu	125	101¼	101⅜		7.92
EIB 10 97 Ecu	1125	103¾	104		7.98
Ferro del Stat 10⅛ 98 Ecu	500	104	104⅛		8.56
Italy 10¾ 00 Ecu	1000	107½	107⅞		8.89
Spain 9 96 Ecu	1000	101⅞	102	+⅛	7.46
United Kingdom 9⅛ 01 Ecu	2750	102⅛	102⅜	−⅛	8.65
AIDC 10 99 A$	100	98¼	98⅝	−⅛	10.47
Comm Bk Australia 13¾ 99 A$	100	110⅝	111	−½	10.72
EIB 7⅞ 99 A$	350	92¾	93⅛	−½	9.96
NSW Treasury Zero 0 20 A$	1000	8⅝	9⅜	−⅛	9.93
R & I Bank 7¾ 03 A$	125	84¼	84⅞	−⅛	10.68
State Bk NSW 9 02 A$	300	91⅞	92	−⅛	10.63
Sth Aust Govt Fin 9 02 A$	150	91½	91⅞	−⅛	10.65
Unilever Australia 12 98 A$	150	102⅞	103⅛	−⅛	10.86
Western Aust Treas 7⅝ 98 A$	100	91⅞	92¼	−½	10.58
Abbey Natl Treasury 8 03 £	1000	91½	91¾		9.52
Alliance Leics 11⅞ 97 £	100	104¾	105	−⅛	8.98
British Land 8⅞ 23 £	150	88½	88⅞		10.36
Denmark 6⅛ 98 £	800	93⅛	93⅜		9.03
EIB 10 97 £	637	102½	102¾		8.62
Halifax 10⅜ 97 £	100	102⅞	103¼		8.83
Hanson 10⅜ 97 £	500	102¾	103⅛		9.18
HSBC Holdings 11.69 02 £	153	108½	108⅞	+⅛	10.01
Italy 10½ 14 £	400	105⅞	106¼	+¼	9.80
Japan Dev Bk 7 00 £	200	91¼	91½		8.99
Land Secs 9½ 07 £	200	98⅛	98½	+½	9.75
Ontario 11⅛ 01 £	100	107⅛	107½		9.52
Powergen 8⅞ 03 £	250	96⅛	96⅝	−⅛	9.56
Severn Trent 11½ 99 £	150	107⅝	107⅞	+⅛	9.32
Tokyo Elec Power 11 01 £	150	107⅜	107¾	−⅛	9.39
Abbey National 0 96 NZ$	100	84⅞	85⅝	+⅛	9.82
TCNZ Fin 9¼ 02 NZ$	75	100¾	101¼		9.18
Credit Local 6 01 FFr	7000	87¾	88		8.42
Elec de France 8¾ 22 FFr	3000	98⅛	98⅝	−⅛	8.93
SNCF 9¼ 97 FFr	4000	102⅞	103¼		7.79

FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
Abbey Natl Treasury -1/16 99	1000	99.44	99.53	6.3750
Banco Roma 0 99	200	99.91	100.01	6.5312
Belgium 1/16 97 DM	500	100.09	100.19	5.1250
BFCE -0.02 98	350	99.79	99.90	6.2300
Britannia 0.10 96 £	150	99.94	100.04	6.1000
Canada -⅛ 99	2000	99.27	99.35	5.5625
CCCE 0 06 Ecu	200	98.04	98.28	5.7500
Credit Lyonnais 1/16 00	300	97.37	97.30	5.3125
Denmark -⅛ 96	1000	99.56	99.66	5.0625
Dresdner Finance 1/16 98 DM	1000	99.97	100.06	5.2188
Ferro del Stat 0.10 97	420	99.92	100.07	6.2250
Finland 0 97	1000	99.95	100.03	5.3750
IMI Bank Intl ¼ 99	500	99.99	100.09	6.1875
Italy ¼ 98	2000	100.05	100.11	6.6250
LKB Baden-Wuert Fin -⅛ 98	1000	99.31	99.41	5.8750
Lloyds Bank Perp S 0.10	600	83.63	84.83	5.4125
Malaysia 1/16 05	650	99.18	99.44	5.9375
New Zealand -⅛ 99	1000	99.70	99.76	6.3750
Ontario 0 99	2000	99.57	99.68	5.8125
Renfe 0 98	500	99.38	99.54	6.0000
Societe Generale 0 96	300	99.51	99.62	5.3750
Staatsbank Berlin -0.05 98 DM	6000	99.94	99.98	5.2000
State Bk Victoria 0.05 99	125	99.79	100.01	6.8875
Sweden 0 98	1500	99.87	99.92	6.0625
Sweden -⅛ 01	2000	98.73	98.80	5.6875
United Kingdom -⅛ 96	4000	99.82	99.87	6.2500

CONVERTIBLE BONDS	Issued	Conv. Price	Bid	Offer	Prem.
Browning-Ferris 6¾ 05	400	52½	89⅞	90¾	+70.03
Chubb Capital 6 98	250	66	100½	101½	+12.98
Gold Kalgoorlie 7½ 00	65	1.0554	99½	101	+39.60
Hanson 9½ 06 £	500	2.5875	103⅝	104⅝	+15.08
Hanson America 2.39 01	1000		71½	72¼	
Hong Kong Land 4 01	410	31.05	72½	74	-27.26
Land Secs 6¾ 02 £	84	6.72	94½	96⅝	+6.46
Lasmo 7¾ 05 £	90	5.64	82⅛	83⅛	
Mitsui Bank 2⅝ 03	200	2332.6	81⅛	83⅛	+7.37
Mount Isa Fin 6½ 97	100	2.283	95½	96½	+33.24
Natl Power 6¼ 08 £	250	4.33	115½	116½	+2.90
Ogden 6 02	85	39.077	80	81½	+64.53
Pennzoil 4¾ 03	500	53.8097	87½	88¾	+15.64
Sumitomo Bank 3⅛ 04	300	3606.9	75⅝	76⅞	+11.93
Sun Alliance 7¼ 08 £	155	3.9	89⅝	89½	+20.43
Tesco Capital 9 05 £	200	2.51	113⅜	114⅜	+15.21
Texas Instruments 2¾ 02	300	82⅞	95¾	96¼	+7.96

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (‡three-month §above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Bain Hogg sells US operations for $50m

By Ralph Atkins, Insurance Correspondent

Bain Hogg, the insurance broking arm of Inchcape, has sold most of the operations of Bain Hogg Robinson, its US subsidiary, to Acordia, the Indianapolis-based insurance broker, for $50m (£32.3m).

Bain Hogg said the move was part of its plans to form a strategic alliance with Acordia, the world's eighth largest insurance broker, with the aim of strengthening the service it could provide to clients in the increasingly competitive US market.

Further details about a joint venture between Bain Hogg and Acordia are expected to be announced in the first half of this year.

Acordia is to acquire the parts of Bain Hogg Robinson responsible for general commercial broking, employee benefits consulting, and the administration of workers' compensation schemes.

Bain Hogg will keep parts of its US operations responsible for the administration of medical insurance, and some small "start-up" businesses. In total, the US operations made pre-tax profits of about $750,000 on revenues of $44m in 1993.

Bain Hogg said the sale of the US businesses would help strengthen its links with Acordia. The US operations were acquired by Inchcape, the motors, marketing and services company, when it bought the Hogg Group last year.

Analysts expressed scepticism about the value of any strategic alliance. But Mr Roman Cizdyn, insurance analyst at Smith New Court, said: "US retail broking is a difficult market. Profit margins are low, and this is probably sensible rationalisation for Bain Hogg."

Acordia, a network of companies providing insurance broking, managed care administration and consulting services, had revenues of $358m (£165m) in 1993.

Inchcape has said in the past that it would float off Bain Hogg as a separate company in the next few years, arguing that most large international insurance brokers operate independently.

However, the group said yesterday that its emphasis currently was on building global businesses and in making Bain Hogg as attractive a proposition as possible.

Next enjoys buoyant Christmas

By Neil Buckley

Next, the UK fashion retailer, yesterday revealed an unexpectedly strong performance over the Christmas period.

With many clothing retailers thought to have had a difficult time from October to December, owing to the warm weather, Next appears to have bucked the trend.

In a surprise statement, issued after the stock market had closed yesterday, Next said high-street sales since August were 17 per cent ahead of the previous year and mail order sales were 35 per cent ahead. The figures indicated a further improvement in trading since Next's interim results statement in September reported that group sales were up 13 per cent.

Sales volumes in its high street stores were 20 per cent ahead, although selling prices had averaged 3 per cent lower, following a planned reduction in gross margins. Selling space had increased by 2 per cent.

The sales rise in Next Directory, the mail order division, was due partly to a 10 per cent increase in customer numbers.

Next, which has had customers queueing to get into its stores during the post-Christmas sale, said most of its sale stock would have been cleared by the end of this week. That leaves it free to launch its spring range next week.

Analysts were surprised by the fall in gross margins, but said the sales figures were ahead of expectations. Mr Nick Bubb, retail analyst at Morgan Stanley, said he was keeping his pre-tax profit forecast for the full year at £102m, but some analysts, whose forecasts were below £100m, are expected to raise them.

Special factors add to strong underlying sales trend

Allied Domecq sees spirits surge

By Roderick Oram, Consumer Industries Editor

Allied Domecq's UK sales of Teacher's whisky and other premium brands of spirits and fortified wines surged in the week before Christmas, the drinks group announced yesterday.

Its trade sales volume was two and a half times greater than in the same period of 1993 and 1992. Several special factors were at work, but the underlying trend was still very positive, said Mr Michael Dane, chief executive of Hiram Walker Agencies, Allied's drinks distributor.

The trend of consumers leaving their drinks purchases until nearer Christmas was one factor. The latest period also benefited from six shopping days in the last week before Christmas.

There was little evidence, however, that consumers were stocking up ahead of the January 1 increase in excise duty, Mr Dane added.

Several other leading drinks producers said they had enjoyed a positive Christmas, with a strong final week, but they expressed surprised at the scale of Allied Domecq's upturn. Distillers, such as Guinness, Grand Metropolitan and Highland Distilleries, said they were not planning trading statements.

"We don't comment until we get all the market information in towards the end of February," said Mr Brian Ivory, chief executive of Highland Distilleries, producer of Famous Grouse, the second biggest selling Scotch. Guinness will make its first comments about Christmas when it publishes year-end results on March 23.

Competitors said Allied Domecq had been an aggressive discounter before Christmas, offering, for example, £3 off a pair of its spirits bottles. The company said, however, that some brands, such as Harveys sherries, had enjoyed a premium to competing brands.

UK spirits account for about £30m, or 4 per cent, of Allied Domecq's annual pre-tax profits, one analyst estimated. Its shares have weakened recently, following the devaluation of the Mexican peso. If the peso and Allied's Mexican volume remain at current levels, the devaluation could cost it some £20m in pre-tax profits in the year ending February, 1996, he added.

Speculation mounts over prospects for shares in BSkyB

By Alice Rawsthorn

Speculation is mounting about the prospects for the shares of BSkyB, the recently floated satellite television venture, when they start to trade freely on the stock market after the official stabilisation period ends tomorrow.

BSkyB has been clouded by controversy since announcing plans for its £4.4bn stock market debut last month in London and New York.

Analysts were sharply divided over the company's value – with estimates ranging from £2.6bn to £4.6bn. They are again split over the outlook for the shares next week after the end of the stabilisation period, whereby Goldman Sachs, global co-adviser, has been able to support them for 30 days after the flotation.

Ms Louise Barton, media analyst at Henderson Crosthwaite, is today publishing a 'sell' note on BSkyB. She was bearish about the company before the flotation and now forecasts a sharp fall in the unsupported shares to 200p.

Conversely Ms Rebecca Winnington-Ingram, media analyst at Morgan Stanley, is optimistic about the company. She yesterday published a positive note on BSkyB advising investors to buy the shares up to 280p.

BSkyB's shares rose immediately after its flotation but have since slipped back to the initial price of 256p.

The shares closed yesterday at 255½p.

Stanhope sells housebuilding offshoot to McAlpine

Stanhope, the property developer struggling to avoid receivership, has sold a housebuilding subsidiary, Stanhope Cambridge, to Alfred McAlpine for an undisclosed sum.

Stanhope Cambridge and McAlpine were to have jointly undertaken a development west of Cambridge involving 3,000 houses and a business park. Under the terms of the acquisition, Stanhope has an option to purchase the latter part of the development.

The company refused to comment yesterday about its continuing negotiations with creditor banks and potential buyers, namely British Land. Stanhope's banks, which are owed about £148m, withdrew credit facilities on December 23.

Pillar acquires properties in London and Manchester

By James Whittington

Pillar Property Investments, the investment and development company which joined the stock market in August, yesterday announced it had acquired properties in Manchester and London for £23.3m.

In central Manchester, two adjacent office buildings, Churchgate House and Lee House, with an area of 240,000 sq ft, were bought from Team Services for £20m. The pair earn a total of £1.7m in annual rent. This will increase Pillar's current rent roll to £27m a year on properties with a book value of £360m.

Pillar said vacant space in Lee House, which yielded 8 per cent against its purchase price, was guaranteed by Team. There were already offers for some of the 40,000 sq ft of vacant space in Churchgate, which yielded 12.5 per cent against its price.

Mr Raymond Mould, chairman, said the offices had a prime location in the city centre and through active management were likely to be filled quickly.

In London, Pillar has paid £3.3m for a development building in Piccadilly. A further £375,000 is payable to the vendor on gaining planning approval. The company plans to refurbish the property to provide 14,300 sq ft of office space by early 1996.

Since its successful flotation, Pillar has spent almost £70m in property and development acquisitions, including deals with its joint venture partner, the Canadian investment fund, SITQ.

The company's shares rose 2p yesterday to close at 150p.

Analysts expressed confidence that Pillar's strategy of maximising the value of its property assets by adding value with refurbishments and active management was the best policy against a continuing weak property market.

Raymond Mould: offices were likely to be filled quickly

Forte sells two more small hotels for £2.5m

By Geoff Dyer

Forte's plans to dispose of small, provincial hotels which do not fit into its UK brand structure took a further step yesterday with the sale of a hotel in Swindon, Wiltshire and one in Basingstoke, Hampshire.

Industry sources believe the consideration is about £2.5m. Analysts estimate that the group has raised £40m from the sale of 23 hotels in its current financial year to end-January.

The two hotels – the 62-bed Red Lion Hotel in Basingstoke and the 65-bed Goddard Arms Hotel in Swindon – have been acquired by Management Services International, the Newbury-based private hotel group and leisure consultancy. Forte still has two hotels in both towns.

Three years ago, Forte identified about 30 smaller hotels which were not suitable for the new brands it devised for its UK portfolio of hotels. Fifteen of these have been sold so far – 10 in the current financial year.

The company said that the sales were an indication that there was some strengthening in the UK market.

It has also sold 13 Travelodges in the US in 1994-95, 8 of which were joint ventures. Unlike the UK hotels it has sold, many of these were loss-making.

Forte stressed that it had made more acquisitions than disposals this year, including the FFr1.82bn (£217m) purchase of the Meridien chain of 55 hotels in November. It has also opened 22 Travelodges in the UK and 60 Travelodge franchises in the US.

Zovirax licence 'critical' for Wellcome's US partnership

By Daniel Green

A decision next week by the US Food and Drug Administration on whether to license Wellcome's best-selling drug Zovirax as a non-prescription drug was "critical" for the company's relationship with Warner-Lambert, its new US partner, Mr James Cochrane, Wellcome's European operations director, said yesterday.

New data on the drug will be presented to a joint meeting of the FDA's Antiviral Drugs and Non-prescription Drugs Advisory Committees on January 12. Their recommendations are usually accepted by the FDA.

Wellcome conceded that it might be forced to return to the committees at a later date if committee members raised questions.

If Zovirax is not approved for non-prescription over-the-counter sales ahead of the expiry of Zovirax's US patent in 1997, the joint venture with Warner-Lambert will have to be renegotiated.

Wellcome shares fell 14p to 686p yesterday.

The venture, Warner-Wellcome Consumer Healthcare Products, formed last year, has annual sales of more than $1.6bn (£1.02bn) in north America, Europe and Australasia.

Wellcome also announced that Panorex, a cancer drug, had been approved in Germany. This is the drug's first approval and it marks an important step forward for the technology behind it, monoclonal antibodies.

The drug is licensed from Centocor, the US biotechnology company in which Wellcome has a 5 per cent stake. Centocor will make Panorex and Wellcome will distribute it.

Germany had put the drug through an accelerated approvals process and it was likely to be another three years before Panorex was approved in other countries, said Wellcome.

Monoclonal antibodies have had few product approvals following great excitement in the drugs industry over their potential in the 1980s.

● Issues raised in a warning letter in September from the FDA to Wellcome about its US production plant had been resolved after inspection by the FDA late last month, Wellcome said.

However, the company received a further warning letter on December 2 for heavy marketing of an unapproved drug, Lamictal, an epilepsy treatment. It received FDA approval last week.

New World sold to Italian white goods group for £12.6m

By Richard Gourlay and Andrew Baxter

New World Domestic Appliances, the Warrington-based maker of gas cookers, has been sold to an Italian white goods group for double the amount paid by a management buy-in team to Blue Circle Industries less than six months ago.

Merloni Domestic Appliances, whose parent Merloni Elettrodomestici owns the Ariston, Indesit and Scholtes white goods brands, has paid £12.6m for New World.

In August a buy-in team led by Mr Mike Hassall and backed by Murray Johnstone, the private equity investor, paid £5.5m for New World which had lost £10m over the previous four years.

The deal gives Merloni Elettrodomestici its first UK manufacturing base and one of the UK's longest established and best-known cooker brands. It continues the gradual concentration of ownership in Europe's white goods sector.

The rapid turnround of New World under its new management will be a source of some embarrassment for Blue Circle.

Within six weeks of the buy-in, the new management had cut one third of the staff, almost all of them at a management level, Mr Hassall said. The company almost immediately returned to profitability.

New marketing managers also improved relations with British Gas, New World's largest customer which accounts for more than half of its sales.

The company's improved performance also meant it has repaid the £3m of debt taken on at the time of the buy-in.

New World was part of Birmid Qualcast, which Blue Circle bought for £330m in 1988.

New World will strengthen Merloni's overall position in the UK white goods market, where it is already the third largest supplier.

Merloni said the deal marked "a new level of stability" for New World after 12 months of change and upheaval. It looked forward to continuing the "success and prosperity" achieved at New World since the acquisition from Blue Circle.

Merloni said it was too early to comment on manning levels at New World, and it could be months before detailed plans for the future of the Warrington plant were determined. But the Italian company expects to invest more than £10m in New World in the next three years.

New World sells about 140,000 cookers a year, and also produces gas fires and vitreous enamel raw material. Merloni Domestic Appliances, Merloni's UK sales company, sells about 600,000 cookers, refrigerators, freezers, dishwashers, washing machines and tumble driers annually.

TJ Hughes sales ahead

TJ Hughes, the discount department store operator based in north-west England, said sales in its 13 stores over the Christmas period had exceeded expectations, with a record performance in the week before Christmas.

Continuing strong growth in like-for-like sales in the second half meant that the results for the year to the end of January should confirm market expectations. Panmure Gordon, the company's broker, is forecasting pre-tax profits of £1.8m.

In the year to January 29 1994, profits increased by 9 per cent to £1.6m.

The share price yesterday added 2p to 82p.

Weir buy for C$5m

Weir Group, the Glasgow-based pumps and engineering products concern, is acquiring Montreal-based Brian Controls for C$5.2m (£2.4m) from Sweden-based Axel Johnson.

Brian sells and services instrumentation and control equipment. Weir said it would complement the activities of Peacock in Canada.

French TV production group acquires Antelope

By Alice Rawsthorn

Antelope, the London-based television production company, has been acquired by Télé Images, a French television production and distribution group.

Télé Images, which was founded in 1983, is controlled by a group of French investors, including Havas, the media group, Banque Worms, and Banque Nationale de Paris. It is best known for its drama series and television films.

Antelope, founded in 1979, specialises in documentaries, including The Heart of The Dragon for Channel 4 and Portrait of the Soviet Union for Turner, the US broadcasting group. It has been expanding its international interests in recent years, with co-production deals in the US and Japan.

Correction

Standard Life

In Wednesday's FT it was incorrectly reported that Standard Life had been fined by the regulators for poor training standards or compliance issues. Standard Life has not been fined on these or any other issues.

Andrews Sykes property sale

Andrews Sykes, the loss-making industrial services group, has sold its freehold property in Marston Road, Wolverhampton, West Midlands, for £590,000 cash. The property had a net book value of £587,000 at March 31 1994.

The group, which is 59.5 per cent owned by Mr Jean Jacques Murray's European Fire Protection, has been undergoing a restructuring. In the six months to September 30 a connected charge of £2m resulted in a pre-tax loss of £1.96m.

The proceeds of the disposal have been applied in reducing the high level of gearing.

Pentex plans early dividend

By Robert Corzine

Pentex, a Scottish-based oil exploration and production company, joins the London stock market today.

Unlike many E&P companies, Pentex is "primarily a production company," according to Mr Henry Cameron, an Aberdeen lawyer who is executive chairman. As such, it intends to pay a dividend, possibly as early as next year.

In 1993 Pentex made pre-tax profits of £4.1m on turnover of £24m. In the first six months of 1994 it achieved £1.28m, on turnover of £10.7m.

Production of 7,000 barrels a day is divided between two onshore fields, which the company owns and operates, and minority stakes in several North Sea fields.

The company is not seeking to raise finance through the listing. But Mr Cameron said it would give Pentex weight when dealing with big oil groups and would help it to grow by acquiring additional producing assets. Pentex wanted to make acquisitions valued at between $10m and $30m by the end of the year.

There was also the possibility of adding substantial reserves through further exploration around its existing assets. Mr Cameron acknowledged that Pentex was "a geared company," having financed all of its past acquisitions through bank financing.

The issued share capital consists of 20m 10p shares. The company expects trading to open at about £1 a share, the same price as that paid recently by institutions.

The directors hold 25 per cent of the shares. Institutions include Abtrust with 16 per cent and Strand Associates with 13 per cent.

Partco expands

Partco, the vehicle parts distributor, has acquired Downey Autoparts, the Belfast-based parts company.

Net assets being acquired amount to some £400,000 and the transaction will be satisfied out of cash resources.

NEWS DIGEST

Ashtead in £3.6m purchase

Ashtead Group, the plant and machinery rental concern, is paying £3.6m, in cash and shares, to acquire Carter and Bradbury, a welding equipment hire company trading as Rentarc and Masterhire.

Carter and Bradbury has nine UK branches and made profits before tax of £402,000 in the year to March 31. Net tangible assets at that date were £2.8m.

Unidare disposal

Unidare, the Dublin-based industrial group, has completed the disposal of its loss-making wire division with the sale of the trading assets and liabilities of E&E Kaye, its UK-based aluminium and copper wire manufacturing business.

The consideration for the sale, which excludes the premises, was £1.05m cash, subject to adjustment for any movement in working capital. The assets sold were the source of operating losses of £938,000 in the year to September 30 1994.

In the six months to March 31 Unidare incurred pre-tax losses of £4.6m (£4.54m) after an £8m provision to dispose of the wire businesses.

Kalamazoo buys

Kalamazoo Computer Group, the expanding Birmingham-based computer services and printed systems group, has acquired GMS Tickets, the security print specialist, in a cash deal worth up to £700,000.

GMS supplies a full range of added value season ticket books and personalised admission tickets for the sports and leisure industry. Its customer base includes 60 per cent of all UK football clubs.

Mowlem prison win

Charter Builders, the North American arm of John Mowlem, the construction group, has won a $24m (£15.3m) contract to build a women's prison in Gatesville, Texas.

The prison – the sixth contract to be carried out under the arrangement with the Texas Department of Criminal Justice – will have a capacity of just over 1,000 beds and brings to 11,002 the total accommodation constructed by Charter.

EIT classification

Edinburgh Investment Trust has decided that its classification within the Association of Investment Trust Companies monthly information service should be changed from International – General to UK – General.

The trust has about 88 per cent of its £1.1bn gross assets invested in the UK and will be the largest company in the UK – General sector.

Saltire rights

The rights issue by Saltire, formerly Cannon Street Investments, received 43.64 per cent acceptances.

The balance of 57.93m shares will be subscribed by Samuel Montagu and the institutions which participated in sub-underwriting of issue. Montagu will then hold 3.56 per cent stake in Saltire and Bank of Scotland will hold 6.2 per cent

PUBLIC WORKS LOAN BOARD RATES
Effective January 3

Years	Quota loans* 'Lower' quota rates EPI†	AI††	at maturity§	'Higher' quota rates EPI†	AI††	at maturity§
1	-	-	7	-	-	7⅜
Over 1 up to 2	7¼	7⅜	8¼	7⅜	7½	8⅜
Over 2 up to 3	8	8	8¾	8⅛	8⅛	8⅞
Over 3 up to 4	8⅜	8½	8⅞	8½	8⅝	9
Over 4 up to 5	8⅝	8¾	8⅞	8¾	8⅞	9
Over 5 up to 6	8¾	8¾	9	8⅞	8⅞	9⅛
Over 6 up to 7	8⅞	8⅞	9	9	9	9⅛
Over 7 up to 8	8⅞	8⅞	9	9	9	9⅛
Over 8 up to 9	8⅞	8⅞	9	9	9⅛	9⅛
Over 9 up to 10	8⅞	9	9	9⅛	9⅛	9⅛
Over 10 up to 15	9	9	9	9¼	9⅜	9⅜
Over 15 up to 25	9	9	8⅞	9⅜	9⅜	9¼
Over 25	8⅞	8⅞	8¾	9¼	9¼	9⅛

*Non-quota loans A are 1 per cent higher and non-quota loans B 2 per cent higher in each case than quota loans. †Equal instalments of principal. ††Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

NOW FINANCIAL IZVESTIA TALKS BUSINESS TO 300,000 INFLUENTIAL RUSSIANS TWICE WEEKLY.

Financial Izvestia is a twice weekly, Russian language business newspaper produced by the Financial Times in partnership with Izvestia, Russia's leading independent daily.

Printed on the FT's distinctive pink paper, it accompanies Izvestia every Tuesday and Thursday.

Drawing on the huge editorial network of both newspapers, it brings up to the minute, accurate, national and international news to 300,000 decision makers in Russia. News from around the world that impacts upon the Russian market, making Financial Izvestia an essential and unique business tool for those shaping the new Russia.

To find out more about advertising to these influential people, call Ruth Swanston at the Financial Times in London on 44 71 873 4263 (fax 44 71 873 3428), Stephen Dunbar-Johnson in New York on 1 212 752 4500, Dominic Good in Paris on 33 1 42 97 06 21, Sarah Pakenham-Walsh in Hong Kong on 852 868 2863.

FT

FINANCIAL TIMES
GROUP

COMMODITIES AND AGRICULTURE

Gold price drops to 8-month low

By Kenneth Gooding, Mining Correspondent

Gold's price dropped to its lowest level for eight months yesterday as investment funds sold heavily. The price fell to US$375.60 a troy ounce at the morning "fix" in London before recovering a little to close at $376.10, down $4.20.

The prospect of the gold market being caught in a "death cross," which, according to technical theory, could signal a sharp price fall, might have prompted the fund selling, suggested Mr Andy Smith, analyst at Union Bank of Switzerland.

The "death cross" began to loom over the market before the Christmas break. It occurs if the 200-day moving average is crossed by the 50-day moving average while both are falling. A similar situation in the silver market in late November augured a sudden 15 per cent fall in that metals price.

Nevertheless, gold was likely in the near future to remain above the key technical support level of $375 an ounce, some analysts suggested. Mr Smith pointed out that last year the price several times had "bounced off" the 1994 low of $368.20. Ms Rhona O'Connell at stockbroker T Hoare & Co said: "The price may dip below $375 but I think it will hang on grimly".

Ms O'Connell is forecasting an average gold price of $410 an ounce for 1995. In contrast, Mr Smith suggests the price will average $360 with a low point in mid-1995 of about $350. He said the first half of 1995 is likely to prove a "difficult time" for all precious metals.

MARKET REPORT

Copper leads retreat

Traders described the COPPER market as the "bell-wether" of the London Metal Exchange yesterday as a $100-a-tonne fall triggered selling of other base metals.

Investment fund selling was cited as a major factor in the fall, coupled with an easing in concern about nearby supply tightness, which saw the cash price revert to its normal discount to forward positions for the first time in two and a half months.

Bargain-hunting and some Chinese buying stiffened sentiment in late trading, however, and the three months position ended at $2,917 a tonne, $29 off the day's low.

ALUMINIUM prices also came under heavy pressure, following Tuesday's leap to 4¼-year highs, which traders said had left the market over-extended and ripe for profit-taking. The three months price dipped to $1,980 a tonne before rallying to $1,999, down $34.

Other LME metals followed a similar pattern, with heavy losses being partly recouped late in the day.

London Commodity Exchange COFFEE futures ended mostly lower in choppy dealings that saw prices swing between gains and losses in light volume. The March contract ended $1 down at $2,754 a tonne, having swung between a high of $2,770 and a low of $2,730.

SUGAR futures prices remained firm in late dealings after the front two months reached contract highs. March futures were trading at $427.20 a tonne, up $9.30 on the day.

The move higher was backed by trade buying and a technically bullish New York market, which was trading at four-year highs. "It was a speculative move," one trader said.

COCOA futures reversed early falls following news of a better-than-expected consumption figure from the Netherlands for the fourth quarter.

Compiled from Reuters

US markets set fresh turnover records

By Laurie Morse in Chicago

Lower world-wide cotton crops, two frosts and a drought in the coffee-growing regions of Brazil and a revival in demand for industrial metals helped boost turnover at US commodity exchanges in 1994.

Total futures and options trading at New York's Coffee, Sugar and Cocoa Exchange reached a record 12.7m contracts in 1994, up 12 per cent from the previous year. Of that total, world sugar futures trading comprised 4.7m contracts, a 10 per cent rise over 1993. Coffee futures and options turnover was a record 3.86m, up from the previous year's 3.4m. The exchange's cocoa futures traded a record 2.4m contracts.

Volume at the New York Cotton Exchange jumped 36 per cent in 1994, to 4.68m contracts, with cotton futures comprising 2.3m of that record volume. The NYCE acquired the New York Futures Exchange during the year and the NYFE separately reported annual volume of 873,359 contracts.

The New York Mercantile Exchange, which merged with the Commodity Exchange in August, reported a combined volume record of 78.7m contracts. Its Nymex energy division saw record turnover of 58.2m contracts, a 6 per cent increase over 1993.

The Comex division, which benefited from a recovery in world metal markets, reported record 1994 turnover of 20.3m contracts, 8 per cent higher than in 1993. Silver futures enjoyed a 23 per cent volume gain last year at 6m contracts, while copper futures turnover increased 33 per cent, to 2.7m contracts.

At the Chicago Board of Trade, volume in agricultural futures and options was flat compared to an active 1993, with 42m contracts traded.

Miners attracted to Cuban 'geological pearl'

Pascal Fletcher reports on efforts to overcome foreign investors' political worries

Optimism, the stock in trade of the mineral prospector, is in ample supply among the Canadian miners exploring for commercially viable deposits in Cuba.

"Cuba is a geological pearl," says one. "Here you can just take a shovel and find a deposit. . . It's just the way Mother Nature laid it down."

The island republic's decision to open up its mineral resources to foreign exploration and investment has attracted a trail-blazing scramble of largely junior mining companies, most of them Canadians.

Under risk exploration contracts signed in the past 18 months, more than a dozen such companies, including Australian, Venezuelan and Panamanian operators, are prospecting for gold, silver, copper, zinc and other metals and minerals.

Their activities have more recently pricked the curiosity of the world's mining giants, many of whom have sent geologists and representatives on discreet fact-finding missions to Cuba.

"All of the big mining companies have been through here," says Mr Antonio de los Reyes, the country's deputy minister for basic Industry.

Among mining heavyweights known to have cautiously checked out what Cuba has to offer are RTZ of the UK, which claims to be the world's biggest mining company, Australia's BHP and South Africa's Gencor and Anglo-American.

Gencor has taken its interest a step further and is negotiating for two exploration and development concessions containing gold, copper and nickel. The South African company has also used its bio-leaching technology to test a previously identified Cuban gold deposit.

Besides the inherent risks of exploration, possible investors in Cuban mining must weigh other potential obstacles and risks, like the continuing US economic embargo against Cuba, claims against former US-held mining properties there and a deep recession gripping what is still a centrally-run state economy.

In the area of nickel and cobalt, however, where Cuba's known reserves are recognised to be among the largest in the world, two major companies have decided the risks are worth taking. Cuba signed a nickel and cobalt processing and refining joint venture with Canada's Sherritt in the middle of last year and, more recently, announced a large-scale exploration and development project with Australia's Western Mining Corporation.

The growing foreign interest has prompted Cuba to draw up a new mining code, approved by the National Assembly on December 21. The law establishes the state's right of ownership over the country's sub-soil, mines and mineral resources, and regulates the granting of concessions.

"There will be a lot of flexibility," Mr de los Reyes says.

Cuba's mining potential had long been hidden from the West by the country's 30-year relationship with the Soviet Union, whose geologists helped draw up detailed maps identifying known or possible mineral deposits.

Canadian juniors, like Joutel Resources and Caribgold Mines, have pioneered the exploration of gold and polymetallic targets in Cuba and reported several discoveries. "It's exciting. So fast, so quick," says Joutel's Chairman, Mr Hugh Harbinson.

One of the most advanced ventures is the Delita gold project on Cuba's Isle of Youth, part of a concession operated by Canada's Miramar Mining Corporation. A feasibility study is being carried out and officials at GeoMinera, the Cuban state company that negotiates exploration contracts, hope gold production could start there in 1996.

On a larger scale, Sherritt, the Canadian nickel producer, agreed a deal to link its refinery at Fort Saskatchewan to a Cuban processing plant producing nickel/cobalt sulphide at Moa Bay in eastern Cuba. The merger sets up a joint venture company that will sell pure nickel and cobalt on the world market.

Mr de los Reyes says this project is expected to help boost Cuba's nickel output, which fell to just over 30,000 tonnes in 1993 from a 1989 high of 46,591 tonnes.

Nickel was once Cuba's second-biggest export earner after sugar, but it has slipped to third place behind tourism. The industry was hit badly by the collapse of the Soviet Union, which was previously the biggest supplier of technical inputs and also the biggest market for Cuban nickel.

Prospects for recovery have also been brightened by the more recent announcement of a project with Australia's Western Mining Corporation to explore and develop a big nickel/cobalt ore deposit, estimated at more than 200m tonnes of mineral, in eastern Holguin province.

The accord, which exists only as a letter of intent while details are being negotiated, foresees a joint company in which the Australian participation will be 65 per cent and the Cuban share 35 per cent. It also includes plans to build a refinery in Cuba.

Mr de los Reyes says the majority foreign share granted in this case, which exceeds the 49 per cent stake usually conceded to foreign investors in Cuba, is justified by the size of the project, valued at more than $500m.

Cuban officials acknowledge that many big companies, especially those with interests in the US, are worried by the American economic embargo, which blocks not only sales of Cuban nickel to the US but also products made with Cuban nickel.

Another potential obstacle is the existence of claims against mineral deposits and plants in Cuba by their previous US owners, such as the Moa Bay Mining Company, who lost the properties when the Cuban government nationalised US interests following the 1959 revolution.

Mr de los Reyes says the US companies never accepted the compensation offers made by Cuba's revolutionary government. He says Cuba was assuring potential foreign investors that the government, and not the foreign partners, would deal with any claims if they arose in practice.

Foreign mining investors see the recent liberalising and decentralising economic reforms in Cuba as encouraging but are still looking for tax concessions, more room for private enterprise and solid guarantees of long-term concessions.

"The best security of tenure is ownership of the mine," says Mr Wessel Pienaar, manager for mining law and property with Anglo-American.

Private ownership is certainly not being offered by Cuba's draft mining code, which copies most legislation already existing in Latin America.

So for the time being foreign firms investing in Cuba will have to live with the fact that their state partner also makes the rules.

Foreign finance sought for troubled sugar sector

By Pascal Fletcher in Havana and Alison Maitland in London

Cuba is negotiating with British and Arab companies to secure financing for its troubled sugar sector and to set up sugar refining joint ventures.

Deputy Foreign Investment Minister, Mr Octavio Castilla, says that letters of intent have been signed and adds that negotiations are at an advanced stage. He believes they will be concluded this month or next.

Mr Castilla has declined to name the companies involved, but the British trade house E.D. &F. Man Sugar is one of those that have been talking to the Cubans.

Mr Chris Murphy, a director of Man Sugar, said yesterday that talks were at a preliminary stage and nothing had been decided. He said, however, that both financing and joint ventures had been covered and that he expected progress in the next couple of months.

Tate and Lyle declined to comment on whether it was involved in talks, but said: "Cuba among others, as a major sugar-supplying country, is an area we would be looking at".

Mr Castilla said Cuba was seeking external financing to guarantee essential harvest inputs – fuel, machinery parts, fertilisers, herbicides and pesticides – for specific sugar cane growing areas. Foreign companies would receive either sugar or funds in payment.

The other option was the creation of joint ventures to modernise and operate existing sugar refineries. This variant would also have to address the problem of inputs to ensure stable production of crude sugar for refining.

Cuba, traditionally the world's largest exporter of crude sugar, saw its 1993-94 production slump to a historic low of 4m tonnes, around half the output level of five years ago.

Cuban officials blame the decline on severe shortages of harvest inputs, previously supplied by the former Soviet Union.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1967-8	1995-6
Previous	2012-3	2038-9
High/low	1975/1972	2017/1980
AM Official	1975-6	1997-8
Kerb close		1998-99
Open int.	245,529	
Total daily turnover	75,413	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1895-905	1935-45
Previous	1910-5	1950-5
High/low		1950/1940
AM Official	1895-900	1935-40
Kerb close		1940-2
Open int.	2,709	
Total daily turnover	402	

■ LEAD ($ per tonne)

Close	649-50	666-7
Previous	658-9	676-7
High/low		672/665
AM Official	647-8	666-7
Kerb close		665-7
Open int.	42,766	
Total daily turnover	8,987	

■ NICKEL ($ per tonne)

Close	8755-65	8910-20
Previous	8955-65	9100-10
High/low	8800	9030/8880
AM Official	8795-800	8955-60
Kerb close		8930-50
Open int.	58,311	
Total daily turnover	16,304	

■ TIN ($ per tonne)

Close	5940-50	6040-45
Previous	6070-80	6170-5
High/low	5970/5960	6140/5840
AM Official	5950-55	6060-70
Kerb close		6055-70
Open int.	21,480	
Total daily turnover	6,376	

■ ZINC, special high grade ($ per tonne)

Close	1122-4	1146-8
Previous	1149.5-50.5	1175.5-6.0
High/low		1161/1140
AM Official	1128-9	1154-5
Kerb close		1152-53
Open int.	103,370	
Total daily turnover	18,551	

■ COPPER, grade A ($ per tonne)

Close	2895-6	2906-7
Previous	3021.5-2.5	3018-9
High/low	2936	2966/2888
AM Official	2936-7	2945-6
Kerb close		2916-7
Open int.	233,107	
Total daily turnover	116,841	

■ LME AM Official £/$ rate: 1.5605
LME Closing £/$ rate: 1.5602

Spot:1.5612 3 mths:1.5609 6 mths:1.5604 9 mths:1.5601

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	low	Open int	Vol
Jan	134.20	-1.40	134.30	133.50	2,390	194
Feb	133.40	-1.20	132.80	132.80	872	59
Mar	132.70	-1.00	133.80	130.50	29,138	3,625
Apr	130.70	-0.05	130.00	128.25	899	30
May	129.00	-0.20	129.70	126.80	4,631	1,281
Jun	127.00	+0.05	126.00	126.00	536	32
Total					49,465	8,761

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	375.90-376.30	
Opening	378.80-379.20	
Morning fix	378.25	242.421
Afternoon fix	375.60	240.646
Day's High	378.80-379.20	
Day's Low	374.80-375.20	
Previous close	380.10-380.50	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	5.06	6 months	6.06
2 months	5.21	12 months	6.58
3 months	5.48		

Silver Fix	p/troy oz.	US cts equiv.
Spot	302.15	471.50
3 months	306.55	478.30
6 months	311.65	486.45
1 year	324.20	506.15

Gold Coins	$ price	£ equiv.
Krugerrand	380-383	245-248
Maple Leaf	376.95-379.80	-
New Sovereign	88-91	57-60

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Jan	374.0	-5.6	377.7	377.7	-	-
Feb	375.3	-5.6	379.8	375.2	82,816	24,219
Mar	377.3	-5.6	-	-	-	4
Apr	379.2	-5.7	384.0	379.1	14,717	544
Jun	383.3	-5.8	387.9	383.0	22,154	1,174
Aug	387.8	-5.9	389.0	389.0	13,111	207
Total					178,399	26,691

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

Jan	401.2	-10.1	408.0	401.0	464	733
Apr	405.7	-10.1	412.0	405.6	19,847	2,460
Jul	410.2	-10.1	416.0	410.0	2,449	303
Oct	414.4	-10.1	415.6	414.5	828	-
Jan	418.1	-10.1	422.0	422.0	118	2
Total					23,506	3,498

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

Mar	157.55	-3.15	159.25	156.70	6,647	478
Jun	158.80	-3.15	160.25	158.25	836	-
Sep	159.80	-3.15	-	-	143	-
Dec	160.80	-3.15	-	-	11	-
Total					7,636	478

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

Jan	459.5	-12.6	-	-	39	16
Feb	460.2	-12.7	-	-	1	-
Mar	463.5	-12.7	476.0	461.0	73,341	21,657
May	469.3	-12.9	481.5	468.0	11,127	809
Jul	475.6	-13.1	486.5	475.0	7,112	714
Sep	482.0	-13.3	492.0	488.0	9,724	53
Total					131,937	23,452

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Feb	17.53	+0.09	17.65	17.35	86,906	29,374
Mar	17.50	+0.09	17.63	17.35	58,314	14,332
Apr	17.58	+0.11	17.65	17.40	23,120	3,618
May	17.62	+0.13	17.67	17.45	13,188	1,391
Jun	17.65	+0.13	17.65	17.48	26,796	765
Jul	17.71	+0.15	17.73	17.52	13,383	1,607
Total					358,785	58,028

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Feb	16.26	+0.17	16.31	16.05	86,368	28,076
Mar	16.28	+0.17	16.33	16.09	33,188	10,675
Apr	16.28	+0.12	16.36	16.12	15,012	2,403
May	16.30	+0.12	16.31	16.16	7,068	500
Jun	16.28	+0.06	16.28	16.21	7,977	365
Jul	16.27	+0.02	16.30	16.25	4,771	863
Total					164,442	41,923

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Feb	49.85	-0.09	50.25	49.65	46,463	18,616
Mar	49.60	+0.11	50.05	49.50	25,703	8,369
Apr	49.30	+0.18	49.55	49.00	14,624	904
May	48.95	+0.31	49.10	48.85	7,921	331
Jun	48.90	+0.51	48.90	48.90	7,148	394
Jul	48.80	+0.31	49.10	48.80	7,529	127
Total					128,929	29,526

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	144.75	-0.75	145.50	144.25	36,327	5,173
Feb	147.75	-0.50	148.50	147.00	30,775	5,317
Mar	149.75	-0.75	150.25	149.00	12,583	1,152
Apr	150.00	-0.50	150.50	149.00	4,820	312
May	150.50	-0.25	150.50	150.00	2,058	134
Jun	151.25	-0.25	151.50	150.25	7,924	338
Total					181,519	12,918

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Open int	Vol
Feb	1.630	-0.053	1.690	1.620	29,273	18,588
Mar	1.625	-0.056	1.695	1.620	18,728	5,978
Apr	1.617	-0.027	1.650	1.610	10,317	2,866
May	1.615	-0.029	1.650	1.610	9,782	1,427
Jun	1.640	-0.024	1.680	1.635	8,340	674
Jul	1.645	-0.028	1.680	1.645	9,179	249
Total					136,229	31,558

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Feb	53.30	+0.55	53.55	52.40	19,485	6,779
Mar	53.05	+0.38	53.20	52.39	10,684	2,328
Apr	55.70	+0.27	55.75	55.15	10,734	1,127
May	55.05	+0.22	55.20	54.60	5,816	275
Jun	55.10	+0.17	55.10	54.80	1,402	91
Jul	54.56	-	-	-	1,201	35
Total					52,784	11,246

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	107.85	-0.35	107.90	107.50	687	220
Mar	109.15	-0.15	109.00	108.70	1,728	177
May	111.00	-0.25	111.00	110.80	1,678	40
Jul	112.75	-0.25	112.75	112.50	268	25
Sep	97.25	-0.75	-	-	70	1
Nov	98.35	-0.55	98.50	98.50	1,190	40
Total					6,980	507

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

Mar	398/0	+2/4	399/6	392/4	43,778	12,322
May	375/2	+2/6	377/0	368/0	8,038	1,040
Jul	346/0	+3/6	347/0	340/0	15,678	2,703
Sep	351/4	+3/6	352/0	345/4	846	22
Dec	362/0	+3/0	362/0	357/4	310	18
Mar	370/0	+1/0	370/0	369/0	13	-
Total					68,668	16,106

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

Mar	228/6	+0/2	229/4	227/6	117,160	37,373
May	235/6	-	237/0	236/2	53,637	8,408
Jul	241/0	+0/2	242/0	240/2	52,155	7,192
Sep	245/0	+0/2	246/2	244/4	6,314	1,117
Dec	249/0	+1/0	249/4	247/6	34,456	3,687
Mar	255/4	+0/6	256/2	254/4	3,422	471
Total					269,812	58,351

■ BARLEY LCE (£ per tonne)

Jan	103.50	-	-	-	235	-
Mar	105.65	-0.15	-	-	257	-
May	107.50	-0.25	-	-	69	-
Sep	95.75	-	-	-	30	-
Nov	97.25	-0.25	-	-	65	-
Jan	98.90	-	-	-	-	-
Total					663	-

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

Jan	543/4	+0/6	550/6	547/0	8,290	12,448
Mar	558/4	+0/6	560/6	557/0	58,133	27,089
May	568/4	+0/4	570/6	566/4	24,214	3,260
Jul	575/0	+1/0	577/0	573/0	23,479	3,424
Aug	578/2	+1/2	579/6	577/0	2,317	88
Sep	580/2	+0/4	581/4	578/4	2,002	624
Total					136,381	48,902

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

Jan	29.28	-	29.52	29.10	14,901	5,764
Mar	27.90	+0.15	28.18	27.83	46,468	11,745
May	26.63	+0.25	26.75	26.30	22,175	2,405
Jul	25.97	+0.28	26.04	25.65	12,902	946
Aug	25.80	+0.20	25.70	25.30	2,823	160
Sep	25.30	+0.35	25.40	25.15	3,399	305
Total					113,119	22,328

■ SOYABEAN MEAL CBT (100 tons; $/ton)

Jan	153.9	+0.7	154.7	153.6	4,244	3,328
Mar	156.8	-	157.9	156.7	40,379	10,954
May	160.7	-	161.7	160.7	19,183	3,520
Jul	164.9	-0.4	165.7	164.8	13,697	1,884
Aug	166.9	-0.4	167.7	166.9	3,773	601
Sep	168.9	-0.5	169.7	168.9	3,109	1,382
Total					95,106	23,128

■ POTATOES LCE (£/tonne)

Mar	250.0	-	-	-	-	-
Apr	286.3	+1.9	287.0	285.0	1,441	33
May	305.5	-	-	-	7	-
Jun	250.0	-	-	-	-	-
Total					1,441	33

■ FREIGHT (BIFFEX) LCE ($10/index point)

Jan	2006	-24	2020	1985	881	139
Feb	2008	-17	2025	2002	241	26
Mar	2008	-7	2020	1985	128	31
Apr	1930	-	1940	1905	1,548	84
Jul	1718	-2	1720	1710	421	8
Oct	1745	-15	1750	1745	198	24
Total					3,426	312

	Close	Prev
BFI	1984	1984

Cotton

Liverpool- No spot or shipment sales were recorded for the second week in succession. Activity was severely restrained and business was on narrow lines. Cost of raw cotton deterred users from increasing their purchases.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	983	+12	987	980	38,805	5,010
May	980	+13	985	982	19,025	2,593
Jul	990	+14	994	972	7,316	648
Sep	1002	+16	1004	983	13,041	736
Dec	1014	+17	1014	996	11,741	254
Mar	1025	+18	1025	1005	9,468	178
Total					110,595	9,418

■ COCOA CSCE (10 tonnes; $/tonnes)

Mar	1348	+52	1350	1279	33,731	4,004
May	1363	+50	1365	1300	12,135	432
Jul	1385	+51	1385	1325	6,854	163
Sep	1400	+48	1400	1343	2,277	54
Dec	1430	+46	-	-	4,536	-
Mar	1455	+46	1450	1450	6,739	-
Total					73,525	4,653

■ COCOA (ICCO) (SDR's/tonne)

Jan 3	Price	Prev. day
Daily	989.40	973.87

■ COFFEE LCE ($/tonne)

Jan	2703	+5	2710	2685	815	175
Mar	2757	+2	2770	2730	13,996	1,460
May	2723	-10	2745	2708	6,026	350
Jul	2713	-20	2740	2700	2,195	113
Sep	2718	-15	2750	2720	2,690	101
Nov	2725	-3	2740	2740	561	5
Total					26,381	2,267

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

Mar	168.00	+0.25	169.80	165.75	15,818	3,444
May	169.25	+0.10	171.00	167.50	8,723	896
Jul	170.05	-0.15	171.05	168.50	3,497	318
Sep	171.15	+0.40	172.75	170.40	2,163	73
Dec	170.75	+0.25	170.80	170.50	2,726	18
Mar	169.75	-0.15	-	-	262	19
Total					33,221	4,766

■ COFFEE (ICO) (US cents/pound)

Jan 3	Price	Prev. day
Comp. daily	150.67	-
15 day average	148.20	-

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

Mar	15.72	+0.15	-	-	480	-
May	15.85	+0.20	-	-	860	-
Jul	15.30	+0.38	-	-	300	-
Oct	12.50	-	-	-	-	-
Total					1,640	-

■ WHITE SUGAR LCE ($/tonne)

Mar	423.60	+5.60	428.00	416.80	13,254	1,323
May	417.70	+6.80	422.30	410.80	5,539	1,163
Aug	399.70	+2.40	403.50	398.00	4,659	725
Oct	369.70	+2.10	374.00	367.00	1,683	220
Dec	362.50	+1.90	-	-	126	12
Mar	358.50	+0.90	-	-	229	-
Total					25,384	3,431

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

Mar	15.61	+0.22	15.63	15.49	90,695	14,266
May	15.65	+0.22	15.67	15.57	36,679	4,749
Jul	15.01	+0.08	15.21	14.95	25,511	1,890
Oct	14.03	+0.14	14.25	13.97	27,518	1,976
Mar	13.23	+0.01	13.39	13.23	6,867	362
May	13.11	+0.01	13.25	13.10	2,116	107
Total					191,243	23,481

■ COTTON NYCE (50,000lbs; cents/lbs)

Mar	90.12	+1.77	90.25	88.41	32,695	13
May	89.48	+1.52	89.95	88.26	14,482	2,060
Jul	87.93	+1.77	87.95	85.17	9,517	1,435
Oct	79.25	+1.55	79.40	77.80	2,454	736
Dec	74.23	+1.18	74.25	73.00	9,205	1,486
Mar	74.83	+1.18	74.80	74.00	119	30
Total					68,393	8,989

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

Jan	110.70	+3.35	111.25	106.45	1,070	840
Mar	115.10	+3.20	115.35	110.80	15,682	1,320
May	118.35	+2.85	117.70	114.80	2,407	359
Jul	121.60	+2.60	120.00	118.25	1,046	23
Sep	124.60	+2.80	124.60	122.00	2,637	14
Nov	121.00	-0.80	120.10	120.10	1,806	2
Total					25,343	2,562

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Jan 4	Jan 3	month ago	year ago
2226.9	2239.5	2171.6	1863.6

■ CRB Futures (Base: 1967=100)

Jan 3	Dec 30	month ago	year ago
234.76	236.64	227.03	226.74

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	73.250	-0.050	73.700	73.100	31,340	8,084
Apr	73.525	-0.050	73.875	73.200	26,365	5,899
Jun	67.550	-0.100	67.850	67.300	8,440	2,587
Aug	65.200	+0.050	65.400	65.125	3,952	949
Oct	65.850	+0.175	65.800	65.500	377	46
Dec	66.825	+0.275	66.750	66.500	46	23
Total					72,621	17,719

■ LIVE HOGS CME (40,000lbs; cents/lbs)

Feb	38.225	-1.025	39.200	38.200	14,819	2,818
Apr	39.500	-0.575	40.200	39.275	11,065	2,177
Jun	45.025	-0.375	45.800	44.950	6,087	1,096
Aug	44.850	-0.325	45.000	44.400	1,623	304
Oct	42.475	-0.325	42.900	42.400	1,851	256
Dec	43.425	-0.325	43.800	43.250	1,464	183
Total					37,382	6,889

■ PORK BELLIES CME (40,000lbs; cents/lbs)

Feb	41.175	-0.575	42.100	40.850	6,769	1,178
Mar	41.600	-0.525	42.450	41.350	1,698	338
May	42.775	-0.475	43.500	42.350	583	247
Jul	43.800	-0.400	44.400	43.575	683	249
Aug	42.400	-0.475	43.000	42.350	289	44
Feb	50.400	-	58.400	50.200	27	6
Total					10,018	2,053

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Apr	Jul	Apr	Jul
1950	141	165	94	150
2000	116	143	119	177
2050	96	123	146	206
■ COPPER (Grade A) LME	Apr	Jul	Apr	Jul
2800	173	108	66	154
2900	118	73	111	216
3000	76	47	168	287
■ COFFEE LCE	Mar	May	Mar	May
2600	237	283	80	160
2650	208	256	99	183
2700	178	232	121	209
■ COCOA LCE	Mar	May	Mar	May
925	69	85	11	30
950	52	70	19	40
975	37	57	29	52
■ BRENT CRUDE IPE	Apr	Jul	Apr	Jul
1600	73	93	41	66
1650	49	69	67	92
1700	30	50	98	123

LONDON SPOT MARKETS

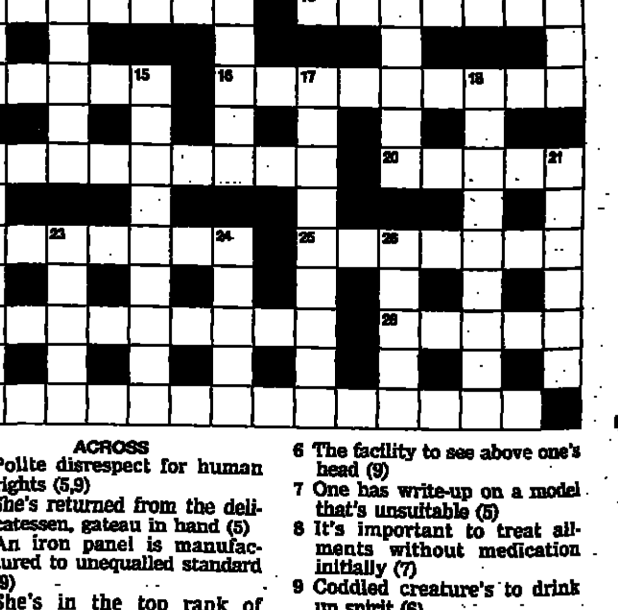
■ CRUDE OIL FOB (per barrel/Feb)		+or-
Dubai	$15.83-5.93u	+0.05
Brent Blend (dated)	$15.88-5.90	+0.01
Brent Blend (Feb)	$16.24-6.26	+0.02
W.T.I. (1pm est)	$17.57-7.59u	+0.05
■ OIL PRODUCTS NWEprompt delivery CIF (tonne)		
Premium Gasoline	$164-166	+1
Gas Oil	$146-147	-1
Heavy Fuel Oil	$110-112	+1
Naphtha	$159-162	-1
Jet fuel	$165-167	
Diesel	$151-153	
Petroleum Argus. Tel. London (071) 359 8792		
■ OTHER		
Gold (per troy oz)♣	$376.10	-4.20
Silver (per troy oz)♣	469.5c	-5.0
Platinum (per troy oz.)	$403.75	-12.40
Palladium (per troy oz.)	$155.25	-1.50
Copper (US prod.)	141.0c	-2.0
Lead (US prod.)	41.50c	+0.75
Tin (Kuala Lumpur)	15.18m	-0.04
Tin (New York)	280.5c	-2.0
Cattle (live weight)†	119.89p	-3.66*
Sheep (live weight)†♣	119.01p	-3.85*
Pigs (live weight)	81.12p	-2.37*
Lon. day sugar (raw)	$371.1	+6.1
Lon. day sugar (wte)	$418.0	+1.5
Tate & Lyle export	£352.0	+3.0
Barley (Eng. feed)	Unq.	
Maize (US No3 Yellow)	£134.5	+2.5
Wheat (US Dark North)	£165.0	
Rubber (Feb)♥	107.00	
Rubber (Mar)♥	107.50	
Rubber (KL RSS No1 Jul)	392.5m	+1.0
Coconut Oil (Phil)§	$660.0y	-25.0
Palm Oil (Malay.)§	$700.0u	-15.0
Copra (Phil)§	$444.0q	
Soyabeans (US)	£173.0	
Cotton Outlook'A' index	91.60c	-0.30
Wooltops (64s Super)	478p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y Jan/Feb. u Feb. q Jan/Mar ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♣ Sheep (Live weight prices). * Change on week ⊕ Prices are for previous day.

JOTTER PAD

CROSSWORD

No.8,652 Set by ARMONIE



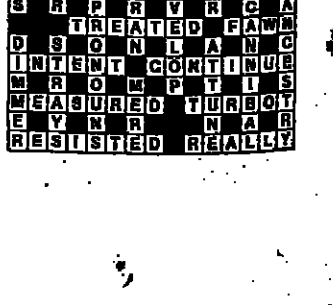
ACROSS

1 Polite disrespect for human rights (5,9)
10 She's returned from the delicatessen, gateau in hand (5)
11 An iron panel is manufactured to unequalled standard (9)
12 She's in the top rank of French game (7)
13 Note English weapon has nothing missing but requires key (7)
14 Shoot innards out of game getting sticky mess (5)
16 A contract for troops to appear in a salute (9)
19 Having foreknowledge, here, in the Channel Islands (9)
20 It's beside the sea for a stay (5)
22 Father comes back to object to detail (7)
25 He's merciful when beginner gets in fix (7)
27 Performance that happens in the theatre (9)
28 Traded in wood tar initially (5)
29 A housewife holds these? That's a sensation! (4,3,7)

DOWN

2 Naivety Connie displayed once having appeared topless (9)
3 Is petition a matter for concern? (5)
4 This prospect ends up on head! (9)
5 Stock of wine got up, for example, for a spree (5)
6 The facility to see above one's head (9)
7 One has write-up on a model that's unsuitable (5)
8 It's important to treat ailments without medication initially (7)
9 Coddled creature's to drink up spirit (6)
15 Trainee in hacienda cooked food (9)
17 In recent design by civil engineer one's found backwardness (9)
18 Free from blame once one has got reprimand (9)
19 The races may be postponed by this starter (3,4)
21 Eastern official's rank (6)
23 Pride oneself on putting sappers behind bars (5)
24 Sought to be heard (5)
26 Looked after missing front tooth? Not any more! (5)

Solution 8,651



LONDON STOCK EXCHANGE

MARKET REPORT

Confidence melts away towards the close

By Terry Byland,
UK Stock Market Editor

Nervousness over interest rate prospects, together with a darkening scene in Russia, depressed UK equities yesterday, leaving share prices in London vulnerable when Wall Street made an uncertain start to its new trading session. Selling pressure remained modest, however, and the domestic retail stocks focused hopefully on the trading results due this morning from Boots, the high street store group.

The market drifted lower for most of the session, and an attempted rally in the afternoon was reversed when the New York market turned off after a firm start. By the close of business, the FT-SE 100-share Index was 14.1 down at 3,051.6, effectively the lowest reading of the day.

The broader-ranging FT-SE Mid 250 Index finished at 3,482.1, also showing a fall of 14.1.

Trading volume remained thin, although the day's Seaq total of 424.8m shares traded compared with 372.3m in the previous sesssion, when retail business was worth £751.5m. These figures continued to indicate that equity business has not yet recovered to normal pre-Christmas levels.

Traders warned that, in view of the generally unimpressive close to trading in December, equities must remain vulnerable to fresh setbacks unless genuine buying support recovers soon.

The day started on a steady note, with shares encouraged by a generally favourable reception from the investment press for the domestic money supply data released on Tuesday. But the focus for interest rate prospects remains on the other side of the Atlantic, and international investors express caution ahead of the next meeting of the US Federal Open Market Committee at the end of the month. Another upward move in US interest rates would inevitably put similar pressures on the UK authorities.

The Footsie, down more than nine points at midsession, reduced its loss when Wall Street opened but turned off again as the Dow Industrial Average faltered, to show a fall of just over 2 points in London trading hours. Markets remained unsettled by the sharp rise last month in the US purchasing management's pricing index to its highest level for nearly 15 years.

The market's confidence, never very sound, melted away in the final two hours of trading, when the stock index futures sector began to crumble. Traders said there was no great pressure on equities but sounded uneasy as the Footsie dropped towards the 3,050 mark, which has been seen as the last bulwark against a fall to the 2,950 area reached in the middle of December.

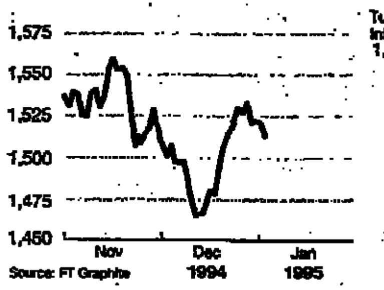
There was some profit-taking in the utilities as the market reacted to hints that the Trafalgar House bid for Northern Electric would be referred to the UK Monopolies and Mergers Commission today.

However, the retail sector improved as Allied Domecq reported favourably on Christmas sales at its UK spirits divisions. Store shares, poised for news on the all-important Christmas selling season – source of the lion's share of annual profits at the big stores – gained ground, albeit cautiously.

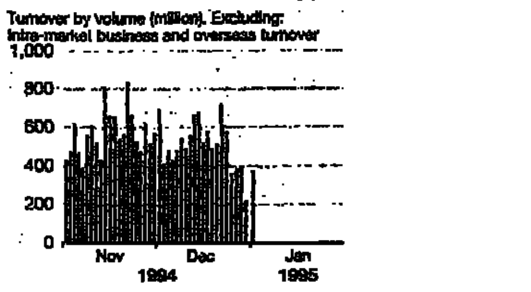
The UK stock market appears unsure of itself at present and analysts pointed to the US jobless statistics, due at the end of this week, as the next potential guide to investment sentiment in the near term. Until the outlook for interest rates becomes more clear the market is likely to concentrate on takeover and similar corporate developments believed to be in the pipeline.

The worsening situation in Russia's struggle with the Chechen resistance was also regarded as a cause for general uncertainty for global markets. UK market analysts pointed to the implications for German equity and bond markets should the Chechnya situation bring wider-ranging military problems in Russia.

FT-SE-A All-Share Index



Equity Shares Traded



Key Indicators

Indices and ratios

FT-SE 100	3051.6	-14.1	FT Ordinary Index	2347.3	-16.4
FT-SE Mid 250	3482.1	-14.1	FT-SE-A Non Fins p/e	17.83	(17.92)
FT-SE-A 350	1529.9	-6.9	FT-SE 100 Fut Mar	3063.0	-17.0
FT-SE-A All-Share	1514.80	-6.28	10 yr Gilt yield	8.79	(8.85)
FT-SE-A All-Share yield	4.02	(4.01)	Long gilt/equity yld ratio:	2.20	(2.21)

Best performing sectors

1 Tobacco .... +0.7
2 Diversified Inds .... +0.5
3 Banks, Merchant .... +0.5
4 Breweries .... +0.4
5 Other Financial .... +0.3

Worst performing sectors

1 Life Assurance .... -1.6
2 Electricity .... -1.4
3 Extractive Inds .... -1.0
4 Spirits, Wines & Cider .... -1.0
5 Water .... -0.9

Wellcome out of favour

Pharmaceuticals group Wellcome fell out of favour yesterday as a number of investors used concern over an impending US advisory meeting as an opportunity to pocket recent profits.

The shares, which have outperformed the broad market by some 5 per cent over the past month, fell 14 to 686p. The US Food and Drug Administration (FDA) is to meet next Thursday to consider whether Zovirax, the treatment for herpes, should be sold over the counter without prescription.

Many analysts feel that approval will be given eventually but believe that this time the advisory committee might demand new information. Mr Paul Woodhouse at Smith New Court said there are serious concerns over whether people will be able to diagnose the condition themselves. "I would expect a qualified recommendation rather than a completely clean bill of health," he added.

Mr Paul Diggle at SGST said analysts were "poised for an extra couple of hundred million dollars of sales" and would be disappointed by any rejection from the FDA.

BOC wanted

Commodity chemicals group BOC received a boost from fundamental news on pricing and from a change of stance at one leading agency broker.

The shares rose 4 to 707p as Air Products and Chemicals, of the US, said it would increase prices for oxygen, nitrogen, hydrogen and helium from February 1. The news gives BOC room for manoeuvre over its own pricing. BOC shares were helped further after James Capel turned buyer of the stock.

Capel's shift of view was part of a new year review of the sector and reflected marginal underperformance since November. The house also reduced its stance on Croda, which shed 14 to 373p. Finally, it reiterated its positive view on BTP, up 11 at 309p, and Holliday, Brent and Hickson, all steady at 203p, 108p and 124p.

Vodafone again hit

Profit-takers continued to gnaw away at Vodafone, the mobile phones group, pushing the stock to the top of the Footsie activity tables and slicing a further 9 off the shares at 199p, a two-day decline of 13. Turnover yesterday was 13m.

Having outperformed the market by 18 per cent last year and by 7 per cent over the past three months, analysts see Vodafone as the victim of its own success – both in share price terms and in the rapid build-up of new subscribers in the final months of 1994.

For the moment the market is focusing on the high initial cost of new business, which has run way ahead of City estimates and is causing analysts to take a hard look at earnings forecasts. At least one top securities house is set to trim 1994-95 estimates from £405.7m to less than £400m and has reset its sights on a share price of 185p.

The weak sentiment washed over Securicor, which has a 40 per cent stake in BT's Cellnet unit. The shares lost 8 at 1530p.

Channel tunnel operator Eurotunnel rose 15 to 312p – making a two-day bounce of 10 per cent – following an upbeat trading statement. Once again the Paris bourse was the driving force, with 5.6m shares changing hands there against fewer than 900,000 in London.

Talk of a sizeable switch out of P&O looked to have little foundation, although the shipping line came in for heavy selling, with the shares trailing 14 at 596p in 1.1m turnover. The progress report from Eurotunnel brought competition concern in the transport sector into sharper focus at a time when P&O is facing the possibility of ferry recalls.

NEW HIGHS AND LOWS FOR 1994/95

NEW HIGHS (24).
BREWERIES (1) Wetherspoon (JD), DISTRIBUTORS (3) African Lakes, Faber Prest, Harris (P), ELECTRICITY (1) Manweb, ELECTRNC & ELECT EQUP (3) Acal, Farey, Telspec, ENGINEERING (3) Dicale (J), Hadleigh, Renold, EXTRACTIVE INDS (1) Reunion, INVESTMENT TRUSTS (1) LEISURE & HOTELS (1) Games Workshop, MEDIA (1) Dorling Kindersley, PAPER, PACKG & PRNTG (1) Stora B, PROPERTY (1) Dunloe House, RETAILERS, FOOD (1) Greggs, RETAILERS, GENERAL (1) Stylo, SUPPORT SERVS (2) MITIE, MMT, TEXTILES & APPAREL (1) Wensum, WATER (1) South Staffs, AMERICANS (1) Amdahl.
NEW LOWS (88).
GILTS (7) BREWERIES (1) Morland, BUILDING & CNSTRN (5) AMEC 6.5p Prf., Banner Homes, Bryant, Westminster Scaffolding, Wimpey (G), BLDG MATLS & MCHTS (3) Ibstock Wrts., Marley, Ramus, CHEMICALS (2) Camentone, Do Wrts., DISTRIBUTORS (1) Gardiner, DIVERSIFIED INDLS (1) Harrisons & Crosfield, ELECTRNC & ELECT EQUP (2) Gn Gt Nordic, Verity, ENGINEERING (2) APV, Molins, ENG, VEHICLES (1) Avon Rubber, EXTRACTIVE INDS (5) Gold Mines Australia, Minmet, Niugini, Stannin, Walhalla, FOOD PRODUCERS (1) Pokphand (CP), HEALTH CARE (1) Amersham International, HOUSEHOLD GOODS (2) Airsprung, Jeyes, INVESTMENT TRUSTS (28) INVESTMENT COMPANIES (5) LIFE ASSURANCE (1) Transatlantic, OIL EXPLORATION & PROD (1) Vanguard, OTHER FINANCIAL (3) First Natl. Fin. 7pc Prf., Secure Trust, Tyndall Australia, OTHER SERVS & BUSNS (1) Leigh Interests, PAPER, PACKG & PRNTG (1) Arjo Wiggins Appleton, PHARMACEUTICALS (2) Cantab, Elan, PROPERTY (1) Green, RETAILERS, GENERAL (1) Fine Art Devs., SPIRITS, WINES & CIDERS (1) Merrydown, SUPPORT SERVS (2) CRT, Stat-Plus, TELECOMMUNICATIONS (1) Nippon T & T, TRANSPORT (2) London & Overseas Freighters, Vard AS, SOUTH AFRICANS (1) SASOL.

The Royal Academy of Engineering is due to unveil a report on safety standards tomorrow calling for structural modifications to roll-on, roll-off ferries.

Selective stocks in the retail sector moved against the poor market trend, boosted by the prospects of positive statements on pre-Christmas trade.

High street retailer Boots, one of the biggest in the stores sector, opens the season of progress reports with today's trading update.

Opinion about what the company's statement will reveal was divided, leading to a two-way pull in the shares. They ended unchanged at 497p, with one cautious analyst saying he expected sales growth of no more than 3 per cent.

Dealers suggested more positive prospects among the other retailers. Marks and Spencer added 3 at 399p, with the stock also having been active in the traded options sector where the equivalent of around 2m shares were dealt. Kingfisher was also in demand and the shares firmed 4 to 441p.

Strong profit-taking dominated activity in the regional electricity companies sector as speculation that the unwelcome bid for Northern Electric from Trafalgar House would be referred for investigation to the UK Monopolies and Mergers Commission.

Shares in Northern relinquished 6 at 997p, while those of bidder Trafalgar House eased a penny to 75p.

In the rest of the sector, Eastern gave up 18 to 777p, Southern tumbled 21 to 799p, and both Seeboard and London retreated 18 to close at 463p and 739p respectively. Rumours that Manweb was considering a bid for one of the Welsh utilities continued to circulate and the group's shares eased 7 to 872p. Talk also continued to suggest that Yorkshire would soon be on the receiving end of a bid from Hanson. However, profit-taking left shares in the electricity distributor 11 lighter at 738p.

Shares in Cadbury Schweppes, mentioned as a possible bid target earlier this week, declined 5¼ to 431p.

Spirits group Allied Domecq brushed aside recent worries about Mexico's currency devaluation, where the company derives around 5 per cent of trading profits. The shares recovered from an early retreat to end just a penny off at 535p after the company reported improved pre Christmas drinks sales.

Diversified industrials, one of the slowest performing sectors in recent months, came in for a bit of a push with combined turnover in Hanson and BTR comfortably topping 14m. Lonrho saw 5m trades with the shares improving 2½ to 154p on the back of an up-dated buy note from James Capel.

The international trading group puts out preliminary results later this month. Hopes are rising in the City for some sort of near term directional steer from the new management team following last November's resignation of joint chief executive Tiny Rowland.

Insurance and tobacco conglomerate BAT Industries gained 3 to 439p as S.G. Warburg turned buyer of the stock.

MARKET REPORTERS:
Peter John, Joel Kibazo,
Jeffrey Brown.

■ Other statistics, Page 15

EQUITY FUTURES AND OPTIONS TRADING

Stock index futures retreated further, hit by interest rate uncertainty in Europe and the growing unease about the lack of direction in the cash market, *writes Jeffrey Brown*.

At the close of pit trading the FT-SE 100 March contract stood at 3,063, down 18 for a two-day decline of 29 points. The premium to the cash market was eight points, some eight points under fair value.

The day started relatively brightly in spite of a continued low level of activity, March touching a 3,097 peak for the session and the premium to cash equities at times widening to beyond 25 points.

But the mood, which always looked fragile, swung round after lunchtime and the local, independent traders started to lean heavily on the cash market. Premiums shrank alarmingly and a number of resistance points were said to have been severely tested.

The March contract, 3,062 at its lowest during pit business, wilted further in late, screened based trading to 3,054.5. Volume, 8,716 lots at the official close, rose to above 10,000 in the screen session.

Option volume picked up strongly thanks to some strong position-taking in British Steel and the major retailers, which receive news of the latest turnover trends via today's trading statement from Boots.

Total option volume was 31,934; up from 18,756 on Tuesday. Calls outnumbered puts by almost two-to-one, while FT-SE and Euro FT-SE turnover accounted for 14,600 lots. British Steel saw 3,000 lots dealt. Marks and Spencer and J. Sainsbury ran up 2,085 and 1,300 lots respectively.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	3089.0	3063.0	-17.0	3097.0	3051.0	10253	54415
Jun		3075.5	-16.5			0	3278
Sep	3096.0	3097.0	-13.0	3096.0	3096.0	480	480

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	3510.0	3500.0	-12.5	3510.0	3510.0	15	3965

■ FT-SE 100 INDEX OPTION (LIFFE) (*3055) £10 per full index point

	2900 C	2900 P	2950 C	2950 P	3000 C	3000 P	3050 C	3050 P	3100 C	3100 P	3150 C	3150 P	3200 C	3200 P	3250 C	3250 P
Jan	158½	5	113½	11	74	21	42½	41½	19½	71	8	111	2½	157	1	207
Feb	186	21½	148	33½	112	48½	82	69½	56	95½	35½	127	22	165½	12½	210
Mar	202½	40	165½	53½	131½	70	101	89½	75½	115	53½	144	37½	179½	25	218½
Apr	217½	55	181	69	152	90	123½	110	99½	136½	79	166½	61	198½	47½	236
Jun†	243½	73			182½	110½			128½	158			85	215½		

Calls 8,130 Puts 3,576

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	2875 C	2875 P	2925 C	2925 P	2975 C	2975 P	3025 C	3025 P	3075 C	3075 P	3125 C	3125 P	3175 C	3175 P	3225 C	3225 P
Jan	181	4½	134	7	92	15½	56½	29½	31	54	13½	86½	5½	127½	1½	174
Feb	203	15½	182½	24½	128½	38	94½	56	67½	78½	45½	106	29½	139½	18	177½
Mar	215	29	177	41	143	56	112	74½	85½	97½	63	124½	45	155½	30	190
Jun			236	83½			176	121			119	167½			79	224
Sept†			267	102½			208	140			159	185½			117	239½

Calls 1,481 Puts 1,023 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

FT - SE Actuaries Share Indices — The UK Series

	Jan 4	Day's chge%	Jan 3	Dec 30	Dec 29	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3051.6	-0.5	3065.7	3065.5	3065.6	3379.2	4.22	7.28	16.22	0.54	1165.30
FT-SE Mid 250	3482.1	-0.4	3496.2	3501.8	3498.4	3820.4	3.63	6.18	19.35	2.36	1312.63
FT-SE Mid 250 ex Inv Trusts	3485.7	-0.4	3500.7	3504.8	3501.5	3808.4	3.78	6.68	18.02	2.34	1312.30
FT-SE-A 350	1529.9	-0.4	1536.8	1537.3	1537.0	1690.7	4.09	7.02	16.85	0.45	1195.64
FT-SE-A 350 Higher Yield	1553.2	-0.5	1560.2	1557.5	1557.0	1706.9	5.12	7.52	15.89	0.36	997.47
FT-SE-A 350 Lower Yield	1506.2	-0.4	1512.9	1517.1	1516.9	1632.4	3.04	6.52	17.95	0.53	993.20
FT-SE SmallCap	1747.31	—	1747.65	1746.41	1746.09	1887.98	3.30	6.29	19.48	0.34	1366.02
FT-SE SmallCap ex Inv Trusts	1719.06	—	1718.62	1715.85	1715.66	1838.75	3.51	7.06	17.54	0.33	1348.47
FT-SE-A ALL-SHARE	1514.80	-0.4	1521.08	1521.44	1521.15	1671.92	4.02	6.97	17.04	0.43	1203.90

■ FT-SE Actuaries All-Share

FT-SE-A Fledgling	1001.48 — 1001.55 1000.00 – – 2.88 – – 0.41 1001.89
FT-SE-A Fledgling ex Inv Trusts	1002.03 — 1002.01 1000.00 – – 3.05 – – 0.49 1002.52

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3063.9	3069.3	3070.4	3066.8	3063.3	3057.4	3056.6	3058.3	3054.8	3072.1	3051.5
FT-SE Mid 250	3498.3	3499.4	3498.8	3494.2	3492.5	3490.0	3487.7	3487.5	3484.6	3500.4	3482.0
FT-SE-A 350	1536.2	1538.5	1538.8	1537.0	1535.4	1532.9	1532.4	1533.0	1531.4	1539.6	1529.8

Time of FT-SE 100 Day's high: 8.44am Day's low: 4.20pm. FT-SE 100 High: 3520.3(2/2/94) Low: 2876.6 (24/6/94).

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	906.2	905.7	903.0	902.6	901.0	900.2	900.2	900.2	898.0	896.4	906.0	-9.6
Pharmaceuticals	3260.6	3265.6	3266.1	3265.7	3258.3	3252.2	3249.3	3251.4	3251.2	3247.1	3262.8	-15.7
Water	1811.4	1812.7	1812.7	1804.5	1802.8	1801.4	1795.4	1795.5	1795.4	1794.4	1811.1	-16.7
Banks	2874.4	2875.7	2881.6	2876.8	2875.8	2862.6	2867.8	2866.6	2865.6	2860.6	2870.6	-10.0

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT, Fitzroy House, 13-17 Epworth Street, London EC2A 4DL.
The FT "500" has been renamed FT-SE-A Non-Financials Index. The FT-SE 100, the FT-SE Mid 250, FT-SE Actuaries 350 and the FT-SE Actuaries Industry baskets are calculated by the International Stock Exchange of the United Kingdom and Republic of Ireland and the FT-SE Actuaries All-Share Index is compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules.

"FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited. The FT-SE Actuaries Share Indices are audited by The WM Company. † Sector P/E ratios greater than 80 are not shown. ‡ Values are negative.

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i†	161	334½	-½
ASDA Group†	11,000	67½	-½
Abbey National†	1,800	430	+½
Albert Fisher	1,000	47	-1
Allied Domecq†	1,300	535	-1
Anglian Water	53	509	-1
Argos	1,100	346	-5
Argyll Group†	2,900	263	-3
Arjo Wiggins†	1,200	233	-5
Assoc. Brit. Foods†	576	556	-1
Assoc. Brit. Ports	394	270	-1
BAA†	1,700	471	+1½
BAT Inds.†	6,900	439	+3
BET	4,800	104	+2
BICC	1,700	359	-3
BOC†	1,300	707	+4
BP†	4,200	422½	-5
BPB Inds.	1,500	287	-3
BT†	6,300	380	+1½
BTR†	4,300	294½	+1
Bank of Scotland†	941	209½	+2½
Barclays†	3,800	609	-3
Bass†	1,100	523	+7
Blue Circle†	414	277	-3
Booker	648	392	-6
Boots†	544	497	
Bowater†	740	431	-1
Brit. Aerospace†	583	434	-4
British Airways†	1,200	361	-2
British Gas†	7,400	313½	-3
British Land	866	382	-1
British Steel†	3,300	155	-½
Bunzl	1,400	169	-5
Burmah Castrol†	967	832	+8
Burton	3,800	69½	+1½
Cable & Wire†	4,300	377	+1
Cadbury Schweppes†	1,500	431	-5½
Caradon†	1,600	256	-3
Carlton Comms.†	1,000	891	-2
Coats Viyella	1,700	192	-1
Comm. Union†	564	499	-7
Cookson	759	227	-1
Courtaulds†	598	449	-12
Dalgety	141	420	-2
De La Rue†	404	934	-4
Dixons	2,000	187	-1
Eastern Elect.†	797	777	-18
East Midland Elect.	424	834	-12
Electrocomps	342	474	+1
Eng China Clays	376	385	+7
Enterprise Oil†	722	390	-2
Eurotunnel Units	893	312	+15
FKI	108	146	-1
Fisons	1,600	108	-2

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FT-SE 100 index constituent.

LONDON EQUITIES

LIFFE EQUITY OPTIONS

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	42	9	19
Other Fixed Interest	2	0	12
Mineral Extraction	30	88	77
General Manufacturers	86	134	409
Consumer Goods	32	52	100
Services	80	82	329
Utilities	6	28	9
Financials	96	84	183
Investment Trusts	25	99	339
Others	38	43	42
Totals	435	619	1519

Data based on those companies listed on the London Share Service.

TRADITIONAL OPTIONS

LONDON RECENT ISSUES: EQUITIES

RIGHTS OFFERS

FINANCIAL TIMES EQUITY INDICES

FT GOLD MINES INDEX

LONDON SHARE SERVICE

BANKS, MERCHANT

[illegible]

BANKS, RETAIL

[illegible]

BREWERIES

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

BUILDING MATS. & MERCHANTS - Cont.

[illegible]

CHEMICALS

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING, VEHICLES

[illegible]

ENGINEERING, VEHICLES - Cont.

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

FOOD PRODUCERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HEALTH CARE - Cont.

[illegible]

HOUSEHOLD GOODS

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

هكذا عن الأصل

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL EXPLORATION & PRODUCTION - Cont.

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

OTHER SERVICES & BUSINESSES

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SPIRITS, WINES & CIDERS

[illegible]

SUPPORT SERVICES

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

TRANSPORT - Cont.

[illegible]

WATER

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	+ or -	1994/95 high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£34	—	£34	£13½	2,217	2.2	24.9
Barlow	♣	£5½xd	-⅛	£5¾	£3¼	1,118	1.8	19.8
Gold Flds Prop R		118xa	—	128	75	12.1	7.9	Φ
MK Props.		95	—	98	85	3.82	12.7	-
SASOL	♥	528	—	582	280	3,045	2.7	-
SA Brews	†	£16¼	+⅛	£16⅞	£10	4,202	1.9	23.5
Tiger Oats		783xd	—	838	538	1,747	2.0	17.6
Tongaat-Hulett	†h	725	—	*725	356¼	660.8	2.0	21.0

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Φ Figures or report awaited
- ♥ Rule 21.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ‡ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) UK & Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield, p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1995.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96.
N Figures based on IIMR 'Headline Earnings'
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualise yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1275 a year for each security shown, subject to the Editor's discretion

FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Please quote the code FT5041. Ring 081-770 0770 (open 24 hours including weekends) or Fax 081-770 3822. If calling from outside the UK, ring +44 81 770 0770 or fax +44 81 770 3822. Reports will be sent the next working day, subject to availability.

FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

An international service is available for callers outside the UK, annual subscription £250 stg.

Call 071-873 4378 (+44 71 873 4378, International) for more information on FT Cityline.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 71) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

Yellow Sea Investment Company PLC

Yield Korea Fund

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

Value Express Fund Plc

NAV $11.08 +0.06 -

هكذا عن الأصل

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 71) 873 4378 for more details.

Selling Price | Buying Price | + or - | Yield Gross

Credis Investment Funds

Murray Universal, Sicav

NICAM Asia Pacific Umbrella Fund

CMI Insurance Co Ltd - Contd.

Sun Life International (IOM) Ltd

OTHER OFFSHORE FUNDS

The Environmental Investment Co Ltd

Ermitage Group

Jardine Fleming Unit Trusts Ltd - Contd.

Pakistan Fund

Panther Capital Advisors

Pequot International Fund Inc

Pera Select Group of Funds Limited

Philippine Income Fund Inc

Springfield Fund Mgmt (Gibraltar) Ltd

Sri Lanka Growth Fund

State Street Banque SA

Strome Offshore Limited

OFFSHORE INSURANCES

LUXEMBOURG

Smith Barney Funds

Sodific Asset Management Inc

Carl Spaengler KAG

Long Term Value Trust NAV | $9556.31

MANAGED FUNDS NOTES

p - Periodic premium insurance plans.
s - Single premium insurance.
x - Designated as a UCITS (Undertakings for Collective Investment in Transferable Securities).
x - Offered price includes all expenses except agent's commission.
z - Previous day's price.
§§ - Guernsey gross.
♦ - Yield before Jersey tax.
† - Ex-subdivision.
‡ - Only available to charitable bodies
◊ - Yield column shows annualised rates of NAV increase.
xd - Ex-dividend.

CURRENCIES AND MONEY

MARKETS REPORT

Dollar clings to overnight surge

The dollar hovered above the Y101 level yesterday for the first time in four months after vaulting upwards late Tuesday night in Far East trading, *writes Motoko Rich.*

Favourable economic data, increasing speculation of a forthcoming US interest rate rise and unstable conditions in Mexico helped to buoy dollar sentiment.

Markets seemed decidedly unimpressed by the international finance package agreed for Mexico's economy.

During the day, the 24- and 48-hour contracts of the new Mexican peso fell 25 centavos to 5.50-5.65 pesos against the dollar and the same-day new peso was down 20 centavos. In London, the peso finished at 5.575 pesos to the dollar, down from Tuesday's close of 5.325 pesos.

The Bank of Spain's interest rate hike, which boosted the repurchase rate from 7.35 per cent to 8.00 per cent, failed to give the peseta any real strength. It traded in a very tight range and closed in London at Pta85.01 against the D-Mark, from Tuesday's close of Pta84.80.

■ The US currency made most of its gains before the opening of European markets. Tuesday's strong figures from the US National Association of Purchasing Management's index and a bullish semi-annual report from the US Treasury on foreign exchange operations helped catapault the dollar above Y101, a level it has not breached since August.

The dollar also rose as high as DM1.5620 against the D-Mark after the close of European trading, but was restrained from making further gains by talks of dollar sales from a European central bank and a major corporate.

In London, the dollar closed at Y101.315 against the yen, up from Y100.34. Against the D-Mark, it finished at DM1.559, up from DM1.5539.

Mr Michael Burke, economist at Citibank, said: "At last we may be seeing signs of capital outflows from Japan. With US interest rates rising higher, the dollar starts to look more attractive to Japanese investors."

He added it was possible the US Federal Reserve Board would raise rates after the meeting of the Federal Open Markets Committee at the end of the month.

Mr Avinash Persaud, foreign exchange strategist at JP Morgan, said the dollar had benefitted from the peso devaluation in Mexico. "It has chastened risk-takers in the foreign exchange markets, and the key investors in emerging markets have been dollar investors so any fall in the appetite for risk would tend to be dollar supportive," he said.

He said the peso had fallen further because "the market is still very doubtful about the package which has been put together."

Mr Persaud added: "What will be interesting is to what extent investors withdraw from other markets close to Mexico. There is a risk of contagion if people start to fear risks in other emerging markets."

■ The Bank of Spain's interest rate hike was largely discounted by the markets already. By the close of London, the peseta had fallen, taking no comfort from the rate hike, thought the central bank said it was motivated in part by the peseta's recent weakness.

Mr Ken Wattret, international economist at HSBC Greenwell, said: "It takes more than a hike in official interest rates to turn around the fortunes of the currency. It will not fundamentally alter the way that currency is performing because of the political outlook and the economic fundamentals."

■ The D-Mark rallied gently from early lows, though no significant movement occured. Against the French franc, it closed at FFr3.449, from FFr3.448, against the lira it finished at L1044 from L1043 and agasint the Swiss franc at SFr0.843 from SFr0.845.

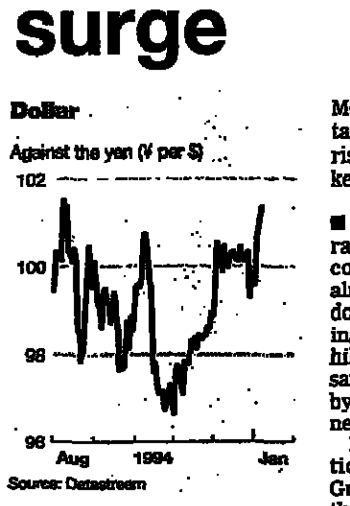
Analysts said investors would look to today's meeting of the Bundesbank council for further hints on the currency.

■ Sterling firmed against the D-Mark on the back of the dollar's strength. In London, it closed at DM2.4357 against the D-Mark, from DM2.4284. Against the US currency, it finished at $1.5624 from $1.5628.

The March short sterling contract traded 23,500 volumes to finish at 92.63 from 92.58. The Bank of England cleared a shortage of £1450m in its daily operations.

Dollar

Against the yen (¥ per $)



Source: Datastream

■ Pound in New York

Jan 4	Latest	Prev. close
£ spot	1.5615	1.5635
1 mth	1.5613	1.5633
3 mth	1.5612	1.5632
1 yr	1.5598	1.5618

■ OTHER CURRENCIES

Jan 4	£	$
Hungary	176.236 - 176.449	112.820 - 112.920
Iran	2731.00 - 2734.00	1748.00 - 1750.00
Kuwait	0.4682 - 0.4685	0.2997 - 0.3000
Poland	3.8284 - 3.8307	2.4495 - 2.4515
Russia	5657.50 - 5662.10	3621.00 - 3624.00
U.A.E.	5.7363 - 5.7380	3.6722 - 3.6727

POUND SPOT FORWARD AGAINST THE POUND

Jan 4		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.1289	+0.0441	222 - 355	17.1499	17.1171	17.1151	1.0	17.0745	1.3	-	-	115.8
Belgium	(BFr)	50.0890	+0.1747	497 - 282	50.1310	49.9290	50.049	1.0	49.934	1.2	49.294	1.6	117.3
Denmark	(DKr)	9.5733	+0.0366	694 - 772	9.5777	9.5494	9.5751	-0.2	9.5679	0.2	9.5432	0.3	116.7
Finland	(FM)	7.4357	+0.0156	297 - 417	7.4580	7.4120	-	-	-	-	-	-	89.2
France	(FFr)	8.3985	+0.0257	968 - 002	8.4006	8.3745	8.3962	0.3	8.3897	0.4	8.3276	0.8	110.0
Germany	(DM)	2.4357	+0.0073	345 - 369	2.4384	2.4314	2.4337	1.0	2.4278	1.3	2.3908	1.8	126.8
Greece	(Dr)	378.167	+1.466	872 - 462	393.198	376.689	-	-	-	-	-	-	-
Ireland	(I£)	1.0116	+0.001	111 - 121	1.0136	1.0103	1.0114	0.2	1.0116	0.0	1.0109	0.1	105.1
Italy	(L)	2541.87	+9.43	107 - 266	2542.92	2533.92	2546.62	-2.2	2556.27	-2.3	2599.27	-2.3	73.1
Luxembourg	(LFr)	50.0890	+0.1747	497 - 282	50.1310	49.9290	50.049	1.0	49.934	1.2	49.294	1.6	117.3
Netherlands	(Fl)	2.7293	+0.0106	281 - 305	2.7322	2.7252	2.7271	1.0	2.7209	1.2	2.6817	1.7	121.2
Norway	(NKr)	10.6287	+0.0317	248 - 327	10.6458	10.6088	10.628	0.1	10.627	0.1	10.6187	0.1	86.3
Portugal	(Es)	250.054	+0.795	936 - 172	250.183	249.360	250.874	-3.9	252.349	-3.7	-	-	-
Spain	(Pta)	207.051	+1.12	978 - 123	207.200	206.111	207.406	-2.1	208.131	-2.1	211.281	-2.0	84.4
Sweden	(SKr)	11.6343	-0.0052	266 - 420	11.6717	11.6037	11.6513	-1.8	11.6796	-1.6	11.7903	-1.3	78.0
Switzerland	(SFr)	2.0529	+0.0018	518 - 540	2.0571	2.0501	2.0491	2.2	2.0413	2.3	1.9917	3.0	121.5
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	80.0
Ecu	-	1.2796	+0.0032	788 - 803	1.2808	1.2777	1.2792	0.3	1.2789	0.2	1.271	0.7	-
SDR†	-	0.932119	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5602	-0.0022	598 - 606	1.5645	1.5562	-	-	-	-	-	-	-
Brazil	(R$)	1.3187	+0.0013	169 - 204	1.3214	1.3169	-	-	-	-	-	-	-
Canada	(C$)	2.1955	+0.0027	948 - 962	2.1981	2.1902	2.1957	-0.1	2.1972	-0.3	2.2081	-0.6	84.4
Mexico	(New Peso)	8.7102	+0.3885	916 - 287	8.8300	8.2601	-	-	-	-	-	-	-
USA	($)	1.5624	-0.0004	621 - 626	1.5645	1.5585	1.5622	0.2	1.5621	0.1	1.5606	0.1	63.5
Pacific/Middle East/Africa													
Australia	(A$)	2.0363	+0.0069	353 - 373	2.0375	2.0217	2.0392	-1.7	2.0459	-1.9	2.0826	-2.3	-
Hong Kong	(HK$)	12.0939	+0.0016	911 - 966	12.1056	12.0620	12.0629	3.1	12.1254	-1.0	12.0384	0.5	-
India	(Rs)	49.0071	-0.0164	953 - 188	49.0740	48.8960	-	-	-	-	-	-	-
Japan	(Y)	158.290	+1.484	225 - 354	158.380	157.270	157.79	3.8	156.685	4.1	150.54	4.9	186.0
Malaysia	(M$)	3.9879	+0.0049	865 - 893	3.9897	3.9747	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.4500	+0.0055	477 - 523	2.4552	2.4347	2.4558	-2.8	2.4667	-2.7	2.5012	-2.1	-
Philippines	(Peso)	38.3558	-0.4005	715 - 400	38.5800	38.2450	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.8612	-0.0007	599 - 624	5.8677	5.8489	-	-	-	-	-	-	-
Singapore	(S$)	2.2725	+0.0018	713 - 736	2.2743	2.2665	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.5561	+0.0079	540 - 582	5.5588	5.5358	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.3197	-0.0204	031 - 363	6.3372	6.2838	-	-	-	-	-	-	-
South Korea	(Won)	1234.18	+1.71	390 - 445	1234.52	1230.36	-	-	-	-	-	-	-
Taiwan	(T$)	40.9812	-0.0105	598 - 026	41.0228	40.8950	-	-	-	-	-	-	-
Thailand	(Bt)	39.2619	+0.0212	478 - 760	39.2780	39.1650	-	-	-	-	-	-	-

†SDR rates for Jan 3. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jan 4		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P Morgan Index
Europe													
Austria	(Sch)	10.9635	+0.031	610 - 660	10.9925	10.9520	10.956	0.8	10.9395	0.9	10.842	1.1	104.8
Belgium	(BFr)	32.0600	+0.12	400 - 800	32.0950	31.9400	32.0375	0.8	31.965	1.2	31.585	1.5	106.5
Denmark	(DKr)	6.1276	+0.025	260 - 290	6.1340	6.1163	6.1282	-0.1	6.13	-0.2	6.1145	0.2	105.2
Finland	(FM)	4.7593	+0.0112	562 - 624	4.7763	4.7492	4.7571	0.6	4.7523	0.6	4.7318	0.6	83.5
France	(FFr)	5.3756	+0.0178	753 - 758	5.3830	5.3710	5.3748	0.2	5.3708	0.4	5.3356	0.7	106.3
Germany	(D)	1.5590	+0.0051	585 - 595	1.5623	1.5560	1.5579	0.8	1.5542	1.2	1.5318	1.7	107.6
Greece	(Dr)	242.050	+1	900 - 200	252.050	241.700	244.55	-12.4	248.8	-11.2	265.55	-9.7	68.4
Ireland	(I£)	1.5444	-0.002	439 - 449	1.5449	1.5387	1.5445	-0.1	1.5442	0.1	1.5444	0.0	-
Italy	(L)	1626.96	+6.45	670 - 720	1628.40	1623.75	1630.35	-2.5	1636.45	-2.3	1665.45	-2.4	73.6
Luxembourg	(LFr)	32.0600	+0.12	400 - 800	32.0950	31.9400	32.0375	0.8	31.965	1.2	31.585	1.5	106.3
Netherlands	(Fl)	1.7469	+0.0072	464 - 474	1.7522	1.7450	1.7457	0.9	1.7418	1.2	1.7182	1.6	106.1
Norway	(NKr)	6.8030	+0.022	015 - 045	6.8264	6.7936	6.7993	0.7	6.7935	0.6	6.743	0.9	96.5
Portugal	(Es)	160.050	+0.55	000 - 100	160.170	158.980	160.625	-4.3	161.675	-4.1	165.175	-3.2	95.3
Spain	(Pta)	132.525	+0.75	500 - 550	132.550	132.150	132.77	-2.2	133.24	-2.2	135.375	-2.2	79.6
Sweden	(SKr)	7.4467	-0.0014	429 - 504	7.4788	7.4355	7.458	-1.8	7.4772	-1.6	7.5542	-1.4	81.2
Switzerland	(SFr)	1.3140	+0.0015	135 - 145	1.3163	1.3135	1.3118	2.1	1.3068	2.2	1.2761	2.9	107.1
UK	(£)	1.5624	-0.0004	621 - 626	1.5645	1.5585	1.5622	0.2	1.5621	0.1	1.5608	0.1	88.2
Ecu	-	1.2210	-0.0034	205 - 215	1.2215	1.2188	1.2212	-0.2	1.2214	-0.1	1.228	-0.6	-
SDR†	-	1.45569	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9986	-0.0012	985 - 987	0.9987	0.9985	-	-	-	-	-	-	-
Brazil	(R$)	0.8440	+0.001	430 - 450	0.8450	0.8430	-	-	-	-	-	-	-
Canada	(C$)	1.4053	+0.0021	050 - 055	1.4073	1.4045	1.4054	0.0	1.4067	-0.4	1.4149	-0.7	81.1
Mexico	(New Peso)	5.5750	+0.25	000 - 500	5.6500	5.3000	5.576	-0.2	5.5778	-0.2	5.5852	-0.2	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	97.5
Pacific/Middle East/Africa													
Australia	(A$)	1.3034	+0.0048	029 - 038	1.3038	1.2966	1.3042	-0.7	1.306	-0.8	1.3187	-1.2	91.1
Hong Kong	(HK$)	7.7408	+0.003	403 - 413	7.7413	7.7390	7.7388	0.3	7.7376	0.2	7.7453	-0.1	-
India	(Rs)	31.3675	-0.0025	650 - 700	31.3725	31.3650	31.4375	-2.7	31.5825	-2.7	-	-	-
Japan	(Y)	101.315	+0.975	290 - 340	101.450	100.640	101.005	3.7	100.305	4.0	96.45	4.8	148.0
Malaysia	(M$)	2.5525	+0.0038	520 - 530	2.5533	2.5495	2.5495	1.4	2.545	1.2	2.573	-0.8	-
New Zealand	(NZ$)	1.5681	+0.0039	669 - 693	1.5693	1.5612	1.569	-0.7	1.5715	-0.9	1.5805	-0.8	-
Philippines	(Peso)	24.5500	-0.25	000 - 000	25.0000	24.2000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7515	+0.0005	513 - 517	3.7517	3.7510	3.755	-1.1	3.7819	-1.1	3.7765	-0.7	-
Singapore	(S$)	1.4545	+0.0015	540 - 550	1.4555	1.4532	1.453	1.3	1.4495	1.4	1.433	1.5	-
S Africa (Com.)	(R)	3.5563	+0.006	555 - 570	3.5570	3.5530	3.5718	-5.2	3.6039	-5.4	3.7688	-6.0	-
S Africa (Fin.)	(R)	4.0450	-0.012	350 - 550	4.0550	4.0250	4.073	-8.3	4.1175	-7.2	4.355	-7.7	-
South Korea	(Won)	789.950	+1.3	900 - 000	790.000	788.500	792.95	-4.6	796.45	-3.3	814.95	-3.2	-
Taiwan	(T$)	26.2305	-	210 - 400	26.2400	26.2210	26.2505	-0.9	26.2905	-0.9	-	-	-
Thailand	(Bt)	25.1300	+0.02	250 - 350	25.1350	25.1190	25.1595	-1.4	25.2505	-1.9	25.655	-2.1	-

†SDR rate for Jan 3. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Jan 3. Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

January 4	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	5¼	5⅜	5⅝	5⅞	6¼	7.40	4.50	-
week ago	5¼	5⅜	5⅝	5⅞	6¼	7.40	4.50	-
France	5⅞	5⅞	6⅛	6⅜	7	5.00	-	6.75
week ago	5⅝	5⅞	6⅜	6⅝	7⅛	5.00	-	6.75
Germany	4.90	5.05	5.20	5.40	5.85	6.00	4.50	4.85
week ago	4.88	5.05	5.23	5.43	5.83	6.00	4.50	4.85
Ireland	5⅞	5⅞	6¼	6⅞	7⅛	-	-	6.25
week ago	5⅜	5⅞	6⅛	6⅞	7⅛	-	-	6.25
Italy	8⅝	8⅞	8⅞	9⅜	10⅛	-	7.50	8.20
week ago	8⅝	8⅝	8⅞	9⅛	10⅛	-	7.50	8.20
Netherlands	4.84	5.16	5.26	5.51	5.98	-	5.25	-
week ago	4.84	5.16	5.37	5.57	5.95	-	5.25	-
Switzerland	3½	4	4¼	4½	4⅞	6.625	3.50	-
week ago	3⅝	4	4⅜	4½	4⅞	6.625	3.50	-
US	5⅝	5⅞	6⅜	6⅞	7¼	-	4.75	-
week ago	5½	5⅞	6⅜	6⅞	7⅛	-	4.75	-
Japan	2¼	2⅜	2⅜	2½	2⅞	-	1.75	-
week ago	2¼	2⅜	2⅜	2⅝	2⅞	-	1.75	-
■ $ LIBOR FT London								
Interbank Fixing	-	5⅞	6½	7	7⅜	-	-	-
week ago	-	5⅞	6½	7	7⅜	-	-	-
US Dollar CDs	-	5.74	6.26	6.78	7.56	-	-	-
week ago	-	5.74	6.00	6.54	7.34	-	-	-
SDR Linked Ds	-	4⅜	4⅝	5¼	5⅝	-	-	-
week ago	-	4⅜	4⅝	5¼	5⅝	-	-	-

ECU Linked Ds mid rates: 1 mth: 5⅝; 3 mths: 6⅛; 6 mths: 6⅝; 1 year: 7⅛. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Jan 4	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	5¼ - 5	5⅜ - 5⅞	5¾ - 5½	6⅛ - 5⅞	6½ - 6¼	7⅛ - 6⅞
D-Mark	4⅞ - 4¾	5 - 4⅞	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	5½ - 5⅜	6 - 5⅞
French Franc	[illegible]	5½ - 5⅜	[illegible]	[illegible]	[illegible]	7 - 6⅞
Portuguese Esc.	8¾ - 8⅝	9¾ - 9¼	[illegible]	[illegible]	[illegible]	11¼ - 11
Spanish Peseta	7½ - 7⅜	8⅛ - 8	[illegible]	[illegible]	9⅝ - 9¼	[illegible]
Sterling	6⅛ - 5⅞	6 - 5⅞	[illegible]	[illegible]	[illegible]	8 - 7⅞

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Jan 4		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.12	16.77	4.862	2.019	5074	5.449	21.21	499.2	413.3	23.22	4.097	1.997	4.383	3.119	315.9	2.554
Denmark	(DKr)	52.31	10	8.773	2.544	1.056	2654	2.851	11.09	261.2	216.2	12.15	2.144	1.045	2.293	1.632	165.3	1.336
France	(FFr)	59.63	11.40	10	2.899	1.204	3026	3.250	12.65	297.7	246.5	13.85	2.443	1.191	2.614	1.860	188.4	1.523
Germany	(DM)	20.57	3.931	3.449	1	0.415	1044	1.121	4.361	102.7	85.01	4.776	0.843	0.411	0.901	0.641	64.97	0.525
Ireland	(I£)	49.54	9.469	8.307	2.409	1	2513	2.699	10.50	247.3	204.7	11.50	2.030	0.989	2.171	1.545	156.5	1.265
Italy	(L)	1.971	0.377	0.330	0.096	0.040	100.	0.107	0.418	9.839	8.146	0.458	0.081	0.039	0.086	0.061	6.226	0.050
Netherlands	(Fl)	18.35	3.508	3.077	0.892	0.370	931.1	1	3.892	91.61	75.85	4.262	0.752	0.366	0.804	0.572	57.97	0.469
Norway	(NKr)	47.16	9.014	7.908	2.293	0.952	2393	2.570	10	235.4	194.9	10.95	1.932	0.942	2.067	1.471	149.0	1.204
Portugal	(Es)	20.03	3.829	3.359	0.974	0.404	1016	1.092	4.248	100.	82.80	4.652	0.821	0.400	0.878	0.625	63.28	0.512
Spain	(Pta)	24.19	4.625	4.057	1.176	0.488	1228	1.318	5.130	120.8	100.	5.618	0.991	0.483	1.060	0.755	76.43	0.618
Sweden	(SKr)	43.06	8.231	7.221	2.094	0.869	2185	2.347	9.132	215.0	178.0	10	1.764	0.860	1.887	1.343	136.0	1.100
Switzerland	(SFr)	24.41	4.665	4.093	1.187	0.493	1238	1.330	5.175	121.8	100.9	5.668	1	0.487	1.070	0.761	77.10	0.623
UK	(£)	50.08	9.573	8.398	2.435	1.011	2541	2.729	10.62	250.0	207.0	11.63	2.052	1	2.195	1.562	158.2	1.279
Canada	(C$)	22.82	4.361	3.826	1.109	0.461	1158	1.243	4.838	113.9	94.31	5.298	0.935	0.456	1	0.712	72.07	0.583
US	($)	32.06	6.129	5.376	1.559	0.647	1627	1.747	6.799	160.1	132.5	7.446	1.314	0.640	1.405	1	101.3	0.819
Japan	(Y)	31.66	6.051	5.308	1.539	0.639	1606	1.725	6.713	158.0	130.8	7.351	1.297	0.632	1.387	0.987	100.	0.808
Ecu		39.16	7.485	6.566	1.904	0.790	1987	2.134	8.303	195.5	161.8	9.093	1.604	0.782	1.716	1.221	123.7	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.6438	0.6423	-0.0019	0.6438	0.6416	22,106	69,065
Jun	0.6450	0.6450	-0.0021	0.6453	0.6447	125	2,006
Sep	-	0.6503	-	-	-	1	139

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	1.0016	0.9930	-0.0080	1.0016	0.9928	28,520	71,993
Jun	1.0105	1.0061	-0.0075	1.0105	1.0061	396	6,564
Sep	1.0225	1.0200	-0.0076	1.0225	1.0200	1	328

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.7644	0.7631	-0.0013	0.7644	0.7616	11,532	34,648
Jun	0.7680	0.7683	-0.0017	0.7683	0.7680	43	678
Sep	-	0.7747	-	-	0.7747	12	63

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	1.5618	1.5602	-0.0040	1.5618	1.5586	9,688	53,711
Jun	-	1.5580	-	-	1.5580	19	535
Sep	-	1.5590	-	-	1.5590	5	4

UK INTEREST RATES

LONDON MONEY RATES

Jan 4	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6⅛ - 2	6⅛ - 5⅝	6⅛ - 6	6⅝ - 6⅜	7⅜ - 7⅛	8 - 7⅞
Sterling CDs	-	-	6 - 5⅞	6⅝ - 6½	7⅛ - 7	7⅞ - 7¾
Treasury Bills	-	-	5⅞ - 5⅞	6¼ - 6⅛	-	-
Bank Bills	-	-	5⅞ - 5⅞	6⅞ - 6⅜	6⅞ - 6⅞	-
Local authority deps.	5⅜ - 5⅛	5⅜ - 5⅛	5⅞ - 5⅞	6⅜ - 6⅜	7 - 6⅞	7⅞ - 7⅞
Discount Market deps	6 - 4	6 - 5¾	-	-	-	-

UK clearing bank base lending rate 6¼ per cent from December 7, 1994

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	1½	4	3¾	3¾	3½

Certs of Tax dep. under £100,000 is 1½pc. Deposits withdrawn for cash ½pc.
Ave. tender rate of discount 5.9182pc. ECGD fixed rate Stg. Export Finance. Make up day Dec 30, 1994. Agreed rate for period Jan 25, 1995 to Feb 25, 1995, Schemes II & III 7.71pc. Reference rate for period Dec 1, 1994 to Dec 30, 1994, Schemes IV & V 6.402pc. Finance House Base Rate 6½pc from Jan 1, 1995

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

EMS EUROPEAN CURRENCY UNIT RATES

Jan 4	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.19672	2.13705	+0.00008	-2.72	7.89	-
Belgium	40.2123	39.2125	-0.0037	-2.49	7.74	18
Germany	1.94964	1.90802	-0.00003	-2.13	7.35	-
Ireland	0.808628	0.793128	+0.000508	-1.92	7.11	13
France	6.53883	6.57681	+0.00006	0.58	4.45	-5
Denmark	7.43679	7.49259	-0.00156	0.75	4.27	-5
Portugal	192.854	195.830	-0.046	1.54	3.46	-10
Spain	154.250	162.050	+0.188	5.06	0.00	-35
NON ERM MEMBERS						
Greece	264.513	296.082	+0.272	11.93	-6.14	-
Italy	1793.19	1990.52	+1.3	11.00	-5.36	-
UK	0.786749	0.783629	-0.000667	-0.40	5.48	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

BASE LENDING RATES

... twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.86/MWh becomes 1.686p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8.30am and 5.15pm Monday to Friday.
©Energy Settlements and Information Services Limited

REPUBLIC OF BULGARIA
MINISTRY OF TRANSPORT
STATE-OWNED COMPANY
BULGARIAN STATE RAILWAYS

Bulgarian State Railways (BDZ) have initiated steps for establishment of a Company with local and foreign participation on a competitive base, the scope of activity of which would be MANUFACTURING & TRADE OF RAILWAY CONCRETE SLEEPERS AND OTHER REINFORCED CONCRETE PRODUCTS.

The Company will be established by BDZ through their SVISHTOV REINFORCED CONCRETE STRUCTURES & PRODUCTS WORKS, an unit directly setting its accounts with the BDZ Head Office.

BDZ have the intention to negotiate the conditions for distribution of shares with other local and foreign participants, and for this purpose.

INVITE THE COMPANIES INTERESTED TO PRESENT OFFERS TO BDZ

BDZ will provide their REQUIREMENTS to the Companies interested and would preferably discuss offers received before March 1st 1995. For assessment of the existing ...

JUPITER TYNDALL GLOBAL FUND

CALL FOR TENDERS
FOR THE PURCHASE OF THE GROUPS OF ASSETS OF "HYMOFIX HELLAS S.A.", OF ATHENS, GREECE

WORLD STOCK MARKETS

■ TOKYO - MOST ACTIVE STOCKS: Wednesday, January 4, 1995

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Paint	4.4m	718	+34	Sharp	1.0m	1810	+10
Sakai Ovex	1.8m	730	−22	Jpn Storage Bat	0.9m	739	+6
Hitachi	1.7m	997	+8	Matsushita	0.9m	1630	−10
Toshiba	1.2m	715	−8	Nissan Motor	0.9m	821	−2
NKK	1.0m	289	−7	Canon	0.8m	1700	+10

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1994/95, except Toronto & Montreal (daily). # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

FT FREE ANNUAL REPORTS SERVICE

You can obtain the current annual/interim report of any company annotated with ♣. Please quote the code FT3185. Ring 081 770 0770 (open 24 hours including weekends) or fax 081 770 3822. If calling from outside the UK, dial +44 81 770 0770 or fax +44 81 770 3822. Reports will be sent on the next working day, subject to availability.

INDICES

	Jan 4	Jan 3	Jan 2	1994/5 High		1994/5 Low	
Argentina							
General (29/12/77)	(u)	15890.04	16531.10	25470.40	16/2/94	15313.31	27/12/94
Australia							
All Ordinaries(1/1/80)	1886.2	1904.9	(c)	2340.60	3/2/94	1842.00	12/12/94
All Mining(1/1/80)	908.8	921.6	(c)	1136.10	3/2/94	879.10	12/12/94
Austria							
Credit Aktien(30/12/84)	392.05	394.24	395.42	480.88	2/2/94	376.94	25/10/94
Traded Index(2/1/91)	1047.97	1053.61	1058.31	1222.25	1/2/94	1011.38	6/6/94
Belgium							
BEL20 (1/1/91)	1388.20	1382.37	1387.85	1542.85	9/2/94	1336.39	7/10/94
Brazil							
Bovespa (29/12/83)	(u)	40990.5	43191.0	58110.60	13/9/94	3800.90	3/1/94
Canada							
Metals Minls♦(1975)	(u)	4110.74	(c)	4278.02	20/10/94	3299.08	20/4/94
Composite♦ (1975)	(u)	4185.87	(c)	4808.90	23/3/94	3858.90	24/6/94
Portfolio§§ (4/1/83)	(u)	2031.28	(c)	2182.88	1/2/94	1888.48	28/6/94
Chile							
IPGA Gen (31/12/80)	(u)	5488.4	5407.8	5784.40	21/11/94	3801.20	4/4/94
Denmark							
CopenhagenSE(3/1/83)	352.71	350.63	348.55	415.79	2/2/94	335.88	20/12/94
Finland							
HEX General(28/12/90)	1885.3	1900.9	1880.7	1972.80	4/2/94	1681.10	3/1/94
France							
SBF 250 (31/12/90)	1258.82	1252.38	(c)	1886.20	2/2/94	1227.86	25/10/94
CAC 40(31/12/87)	1901.79	1885.91	(c)	2355.93	2/2/94	1824.42	25/10/94
Germany							
FAZ Aktien(31/12/58)	777.43	778.14	781.60	869.27	18/5/94	742.04	5/10/94
Commerzbank(1/12/53)	2223.3	2218.3	2232.6	2485.50	2/5/94	2118.30	5/10/94
DAX (30/12/87)‡	2072.26	2074.78	2079.45	2271.11	16/5/94	1980.59	7/10/94
Greece							
Athens SE(31/12/80)	888.22	883.92	873.02	1194.58	18/1/94	804.37	22/11/94
Hong Kong							
Hang Seng(31/7/64)	7887.01	7844.14	(c)	12201.09	4/1/94	7707.78	12/12/94
India							
BSE Sens.(1979)	3886.80	3916.29	3932.08	4628.57	12/9/94	3454.00	5/1/94
Indonesia							
Jakarta Comp.(10/8/82)	474.49	472.38	470.14	612.89	5/1/94	447.04	13/12/94
Ireland							
ISEQ Overall(4/1/88)	1854.18	1848.97	(c)	2082.18	20/1/94	1694.14	1/7/94
Italy							
Banca Comm Ital (1972)	542.97	542.82†	538.91	637.17	10/5/94	501.84	13/12/94
MIB General (2/1/95)	1017.0	1016.0	1008.0	1017.00	4/1/95	1000.00	2/1/95
Japan							
Nikkei 225 (16/5/49)	19684.04	(c)	(c)	21552.81	13/6/94	17369.74	4/1/94
Nikkei 300 (1/10/82)	286.16	(c)	(c)	311.71	13/6/94	268.22	4/1/94
Topix (4/1/68)	1553.40	(c)	(c)	1712.73	13/6/94	1445.97	4/1/94
2nd Section (4/1/68)	2130.68	(c)	(c)	2542.85	6/7/94	1873.33	4/1/94
Malaysia							
KLSE Comp.(4/4/86)	957.81	969.70	(c)	1314.46	5/1/94	885.77	12/12/94
Mexico							
IPC (Nov 1978)	(u)	2278.47	2354.24	2881.17	8/2/94	1957.33	20/4/94
Netherland							
CBS TtlRtnGen(End 83)	444.9	444.1	444.7	454.90	31/1/94	408.30	21/6/94
CBS All Shr (End 83)	279.1	278.6	279.0	294.80	31/1/94	257.90	21/6/94
New Zealand							
Cap. 40 (1/7/86)	1908.11	(c)	(c)	2439.84	3/2/94	1878.09	12/12/94
Norway							
Oslo SE(Ind)(2/1/83)	1139.63	1138.03	1148.86	1211.10	28/2/94	980.91	21/6/94
Philippines							
Manila Comp (2/1/85)	2771.97	2805.28	2798.21	3308.37	4/1/94	2507.33	9/3/94
Portugal							
BTA (1977)	2885.0	2891.1	2897.9	3226.60	18/2/94	2612.80	20/6/94
Singapore							
SES All-S'pore(2/4/75)	530.00	530.94	(c)	641.61	4/1/94	506.84	13/12/94
South Africa							
JSE Gold (28/9/78)	1898.9♥	1984.9	(c)	2534.00	7/9/94	1749.00	14/2/94
JSE Indl. (28/9/78)	6961.8♥	6875.2	(c)	6994.40	30/12/94	5446.00	19/1/94
South Korea							
KoreaCompEx(4/1/80)**	977.01	1013.57	(c)	1138.75	8/11/94	855.37	2/4/94
Spain							
Madrid SE (30/12/85)	288.26	288.06	285.81	358.31	31/1/94	280.33	28/12/94
Sweden							
AffarsvardnGen (1/2/37)	1509.20	1498.90	1486.3	1603.90	31/1/94	1334.70	6/7/94
Switzerland							
Swiss Bk Ind (31/12/58)	1247.02	1235.60	(c)	1423.34	31/1/94	1138.72	27/10/94
SBC General (1/4/87)	929.91	923.67	(c)	1093.29	31/1/94	876.57	27/10/94
Taiwan							
WeightedPr.(30/6/66)**	(c)	(c)	7124.66	7181.13	30/9/94	5194.63	19/3/94
Thailand							
Bangkok SET (30/4/75)	1360.63	1354.05	(c)	1753.73	4/1/94	1196.59	4/4/94
Turkey							
Istanbul Comp.(Jan 1986)	26385.0	26090.4	25081.3	29145.10	2/12/94	12980.70	24/3/94
WORLD							
MS Capital Int (1/1/70)$	614.0*	616.4	618.5	649.90	2/11/94	591.60	4/4/94
CROSS-BORDER							
Eurotrack 100(26/10/90)	1337.85	1332.56	(c)	1540.19	31/1/94	1286.48	5/10/94
Euro Top-100 (26/6/90)	1179.40	1177.26	1177.35	1311.01	2/2/94	1136.48	5/10/94
JCapelOrgns (31/12/88)	(u)	296.56	303.39	395.19	5/1/94	285.49	12/12/94
Barings Emerg.(7/1/92)	(u)	155.92	158.07	191.79	26/9/94	141.65	21/4/94

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Jan	1907.0	1908.0	+15.0	1912.0	1899.0	13,369	23,977
Feb	1917.0	1918.0	+15.0	1918.5	1910.5	78	1,217
Mar	1926.5	1926.5	+14.0	1930.0	1916.0	604	19,544

Open interest figures for previous day.

** Sat Dec 31: Taiwan Weighted Price (c) ; Korea Comp Ex (c) . Base values of all indices are 100 except Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 20 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Jan 4 - 2072.90 +3.08.

US INDICES

Dow Jones	Jan 3	Dec 30	Dec 29	1994/5 High	1994/5 Low	Since compilation High	Since compilation Low
Industrials	3838.48	3834.44	3833.43	3978.36 (31/1/94)	3593.35 (4/4/94)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	93.63	93.56	93.86	105.61 (21/1/94)	93.56 (30/12/94)	108.77 (18/10/93)	54.99 (1/10/81)
Transport	1473.19	1455.03	1444.55	1862.29 (2/2/94)	1371.89 (13/12/94)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	183.03	181.52	181.26	227.86 (3/1/94)	173.94 (22/11/94)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3864.72 (3874.48) Low 3805.50 (3812.91) (Theoretical♠)
Day's high 3845.2 (3850.58) Low 3827.71 (3832.76) (Actual♠)

Standard and Poors	Jan 3	Dec 30	Dec 29	1994/5 High	1994/5 Low	Since compilation High	Since compilation Low
Composite ‡	459.11	459.27	461.16	482.00 (2/2/94)	438.92 (4/4/94)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials♥	546.28	547.51	549.80	563.10 (28/10/94)	510.05 (21/4/94)	563.10 (28/10/94)	3.62 (21/6/32)
Financial	41.64	41.41	41.59	48.94 (14/6/94)	39.67 (22/11/94)	48.40 (28/9/93)	8.64 (1/10/74)
NYSE Comp	250.73	250.94	251.44	267.71 (2/2/94)	243.14 (4/4/94)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	433.16	433.67	431.36	487.89 (2/2/94)	420.23 (13/12/94)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	743.58	751.96	749.53	803.93 (18/3/94)	693.79 (24/6/94)	803.93 (18/3/94)	54.87 (31/10/72)

■ RATIOS

	Dec 30	Dec 23	Dec 16	Year ago
Dow Jones Ind. Div. Yield	2.79	2.78	2.80	2.68
	Dec 28	Dec 21	Dec 14	Year ago
S & P Ind. Div. yield	2.44	2.45	2.47	2.40
S & P Ind. P/E ratio	18.76	18.68	18.40	27.43

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Latest	Change	High	Low	Est. vol.	Open Int.
Mar	461.55	462.00	+0.55	462.10	461.15	47,953	200,666
Jun	-	465.75	-	-	-	900	8,098
Sep	-	471.00	-	-	-	566	2,573

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Change on day
Repsol SA	9,264,300	27¼	----
Telefonos	8,337,300	38½	-2½
Empresa NA	7,330,900	41	+⅛
Wal-Mart	5,705,000	20⅞	-⅛
Merck	2,775,300	38⅛	+⅛
RJR Nabisco	2,629,500	5⅝	+⅛
Ford Motor	2,066,900	27⅞	----
YPF	2,044,700	20⅛	-⅛
Gen Elec	1,982,600	51	----
Intl Game	1,842,800	14⅞	-1

■ TRADING ACTIVITY

● Volume (million)	Jan 3	Dec 30	Dec 29
New York SE	262.100	228.732	253.337
Amex	13.484	24.840	18.798
NASDAQ	229.708	289.344	259.700
NYSE			
Issues Traded	2,917	2,983	2,969
Rises	1,175	1,383	1,163
Falls	1,196	996	1,096
Unchanged	546	604	710
New Highs	17	62	38
New Lows	51	72	84

† Correction. * Calculated at 15.30 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♠ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

4 pm close January 4

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1994/95 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
17⅜	11⅞	AAR	0.48	3.7	23	74	13¼	13	13⅛	
19⅞	12⅝	A L Labs A	0.18	0.9	45	308	u19⅞	19½	19⅞	
79⅜	57⅝	AMP	1.68	2.3	22	978	71⅞	71½	71⅝	-¼
72¼	48⅛	AMR			177	8924	55	54¼	55	+⅛
5	3⅛	ARX			12	95	3⅞	3¾	3¾	
56⅛	33⅝	ASA	2.00	4.8	27	873	43⅜	41⅞	41⅞	-1¾
33⅞	25⅛	AbbtL	0.76	2.3	17	8073	32⅞	32⅝	32¾	
15¾	11⅜	Abitibi Pr	0.50	3.8	12	153	13¾	13½	13¼	-⅛
23⅞	17⅜	ABM Ind	0.60	2.7	13	261	22½	22⅜	22½	-⅛
18	11⅛	Acpmceln			11	118	14¾	14⅝	14¾	
31	20¾	ACE Ltd	0.44	1.9	24	626	23⅞	23⅛	23½	+¼
12½	9	ACM Gvt In	1.09	11.5	8	452	9½	9¼	9½	+⅛
10⅛	6⅞	ACM GvOpp	0.80	10.6		70	7½	7⅜	7½	
10⅝	6¼	ACM Gvt Sp	0.96	13.0		237	7⅜	7¼	7⅜	+⅛
12	7⅝	ACM Gvt Se	1.09	13.3		575	8⅜	8⅛	8¼	+⅛
11¾	7⅜	ACM Man	1.08	12.9		205	8⅜	8¼	8⅜	+⅛
9¼	7½	ACM Managd	0.72	9.6		54	7⅝	d7½	7½	
15½	8¾	AcmeClv	0.44	4.3	20	488	10½	10¼	10¼	-¼
13⅞	6½	Acme Elect			13	155	13	12¾	12⅞	+⅛
33½	23	Acordia	0.60	1.8	16	76	32⅝	32	32½	-¼
13¾	5¾	Actava	0.36	3.9	2	54	9⅝	9¼	9¼	-½
18⅞	11¼	Acuson			26	493	16¼	16	16¼	+¼
18⅜	15½	Adams Expr	0.68	4.4	0	141	15¾	15⅝	15⅝	
64	46½	Ad Micro	3.00	5.5		159	54¼	53⅞	54¼	+¼
31¾	16⅛	AdvMic	3.00	11.8	8	9256	25⅝	25	25½	+⅜
6⅞	5	Advest Grp	0.16	3.1	15	21	5¼	5⅛	5⅛	-⅛
20	15	Advo Inc	-0.10	0.6	16	32	17	16¾	16⅞	-⅛
64½	48⅜	Aegon ADR	1.47	2.3	12	58	u64½	64¼	64½	+⅝
65¾	42¼	AetnaL	2.76	5.8	6	1688	47½	46⅞	47¼	
36⅛	25⅛	AflAc	0.46	1.4	12	2261	33	31⅞	33	+1

- B - · - C - · - D - · - E - · - F - · - G - · - H - · - I - · - J - · - K - · - L - · - M - · - N - · - O - · - P - Q - · - R - · - S -

Continued on next page

NYSE COMPOSITE PRICES

4 pm close January 4

Continued from previous page

- V -

- W -

- U -

- T -

- X - Y - Z -

Price data supplied by Telekurs

AMEX COMPOSITE PRICES

4 pm close January 4

NASDAQ NATIONAL MARKET

4 pm close January 4

- A -

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

- T -

- U -

- V -

- W -

- X - Y - Z -

AMERICA

Dow trades narrowly on data prospect

Wall Street

US shares traded in a narrow band in spite of rising bond prices and a firming dollar, *writes Lisa Bransten in New York.*

By 1 pm, the Dow Jones Industrial Average was down 4.38 at 3,834.10. The more broadly based Standard & Poor's 500 declined 1.00 to 458.11 and the American Stock Exchange composite gained 0.21 at 433.37. The Nasdaq composite slipped 2.24 to 741.47. Trading volume on the NYSE came to 181m shares.

The market remained skittish ahead of important jobs figures to be released tomorrow. Share prices had ebbed and flowed for weeks on speculation about another interest rate increase from the Federal Reserve; and recent mixed economic data had not helped traders form a consensus opinion about the likelihood of another increase at the January 31 meeting of the Fed's open market committee.

Economists expected December's unemployment level to hold at 5.6 per cent after an unexpectedly large gain in November.

Little attention was paid to figures released yesterday which showed that November construction expenditure had risen by 0.7 per cent, slightly more than economists' expectations.

Shares in Mexican companies traded on the New York Stock Exchange added to their losses. Telefonos de Mexico, which was the most active stock on the exchange, hit a new 52-week low, falling to $36⅝ before a partial recovery to close the morning down $1¼ at $37⅝. Grupo Televisa lost $2 at $27⅞.

The crisis in Mexico also bruised other Latin markets. Compania Telefonos de Chile was off $1½ at $78 and Telefonica de Argentina receded $1⅜ to $50⅝.

Philip Morris gained $⅝ at $58⅜ after the company announced that it would merge two of its food units, Kraft and General Foods, into a single company.

Johnson & Johnson put on $⅛ at $54⅜ after the health care products company said that it would buy Mitek Surgical Products for $30 a share. Mitek Surgical, which trades on the Nasdaq, jumped nearly 24 per cent on the news, rising $5½ to $29.

Scios Nova climbed $⅝ to $7⅝ after the biotech company announced late on Tuesday that it would work with the industry leader, Genentech, on the development of a drug to treat kidney failure. Genentech, up $⅝ at $46¼, will market Scios Nova's drug outside North America, and the two companies will work together to sell the drug in the United States and Canada.

Canada

Battered gold shares continued to weigh heavily on the Toronto stock market at midday, helped by financial services and conglomerates. The TSE 300 composite index fell 27.63 to 4,158.24 in 20.28m shares valued at C$341.64m.

The precious metals sub-index dug its way back from its session lows, but it was still trading at 221.80 or 2.4 per cent lower at 9,043.78. Gold futures slipped to eight-month lows before recovering slightly.

West Fraser Timber lost C$¼ at C$39 in 868,300 shares after it completed its purchase of Eagle Hardware & Garden's Canadian operations for C$32.9m. Part of the purchase price was 750,000 West Fraser shares at C$39 each.

The mining heavyweight American Barrick Resources shed C$⅜ to C$29⅜ with 862,881 shares crossing.

Mexican equities plunge

Mexican equities opened down by more than 5 per cent as heavy selling by both domestic and US investors took hold.

The nervousness spread to Brazil and Argentina, whose stock markets also skidded by 5 per cent.

The latest falls occurred as the Mexican government lifted interest rates by a further 2 percentage points to 33 per cent and as investors reacted negatively to President Ernesto Zedillo's announcement on Tuesday of emergency economic measures.

By midsession, Mexico's IPC index had begun to claw back some of its losses, down 89.85 or 4 per cent at 2,188.62, while Brazil's Bovespa index was also steadier, off 3.7 per cent at 39,465. In Argentina the Merval index had lost 25.64 or 5.5 per cent to 441.35.

Mr James Rendell, an emerging markets strategist at James Capel in New York, remarked that there was a complete lack of investor confidence in the Mexican government at the moment.

He felt that all the negative news had yet to be factored into share prices, especially fourth-quarter 1994 company results, which would reflect the peso's devaluation. Consequently, he was recommending an underweight position and saw further downside in the IPC index.

He remained more confident about the future direction of Brazil, believing that the market would be driven more by domestic factors following the economic reforms advocated by President Fernando Henrique Cardoso; but he noted that Argentina faced current account difficulties similar to those of Mexico.

He was optimistic about Peru.

Ms Sarah Lavers, head of research at LatInvest in London, felt that once the current bout of panic subsided there was still reason to expect a return to optimism in 1996. The country, she said, had a sound manufacturing base from which to work.

EUROPE

Madrid fails to sustain positive response

There was no panic reaction to the Bank of Spain's interest rate increase, *writes Our Markets Staff.* Strategists saw it as a reflection of the country's domestic political problems.

Spain's rate rise made it the fifth European country to lift official interest rates in the current cycle, after Sweden, Italy, the UK and Finland.

MADRID failed to sustain a positive response to its repo rate rise, a weakening peseta leading the March bond future from a 32 basis points' gain to a small loss, and the general index adding just 0.20 at 288.26 in turnover of Pta18.5bn.

Mr James Cornish, a political analyst and strategist at NatWest Securities in London, said the market did not believe that the coalition government can last for ever but that the socialist premier Mr Felipe González might still survive for some considerable time with Catalan support.

Over 1994, the deterioration in this situation saw the yield premium on Spanish bonds, against their D-Mark equivalents, rise from 230 to 414 basis points; the immediate prospect, without political change, seemed to be obvious.

FRANKFURT stayed in its backwater. The Dax index eased 2.52 to 2,072.26 on the session as turnover rose from DM3.5bn to DM4.1bn, and closed the afternoon at an Ibis-indicated 2,072.90.

There had been hopes that the prospect of US car sales figures would give German carmakers a lift. But BMW dropped DM7 to DM754, although the group said its Rover unit was considering building Land Rovers at the company's South Carolina plant, under the pressure of recently strong demand.

Outside the Dax, the mortgage bank Depfa recovered DM5 to DM730 after its fall of DM35 on Tuesday. There had been rumours that a debtor, the east German hotel group Inter Hotel, was in financial difficulty; but the BZW analyst, Mr Andreas Schmidt, maintained his buy recommendation, saying that there was no sign of increased risk with the loans.

PARIS continued to improve, although, as analysts noted, this had to be taken in context with a 17 per cent loss in the CAC-40 index during 1994. The index moved forward 15.88 to 1,901.79 in seasonally low turnover of FFr2bn.

Eurotunnel, which is not a constituent stock, added 5.4 per cent or FFr1.35 at FFr26.35 on reports that one US brokerage concern had reiterated its buy recommendation and as the Channel tunnel operator's vehicle shuttle service went into full 24-hour operation.

In the electrical engineering sector, Schneider gained 4.6 per cent on a technical rebound, the shares improving FFr16.30 to FFr368.40.

Among insurers, GAN gained FFr5.20 at FFr280.30 as the government said it had completed a FFr1bn recapitalisation ahead of the company's forthcoming privatisation.

ZURICH was led higher by cyclical stocks as the SMI index rose 20.8 to 2,633.1. Brown Boveri bearers moved ahead SFr19 to SFr1,157, Georg Fischer by SFr40 to SFr1,590 and Sulzer by SFr13 to SFr903.

On the margin between cyclicals and defensive stocks, Ciba bearers advanced SFr11 to SFr797, while Roche certificates climbed SFr110 to SFr6,450. But Ascom dropped SFr75 to SFr1,285 on several large sell orders.

AMSTERDAM recovered Tuesday's loss and inched ahead, the AEX index rising 0.56 to 417.38 as the stock exchange authorities reported that turnover set a new record of Fl 311.2bn last year, against Fl 249.6bn in 1993.

Océ-Van der Grinten, the photocopier manufacturer, slipped 50 cents to Fl 78.00 as analysts forecast sharply higher 1994 earnings, due on Friday, and a further rise in 1995. The shares were among the best performers in 1994, gaining 14 per cent.

Hoogovens, the steel producer, seemed to be another victim of its own success, with its shares down Fl 1.00 to Fl 78.50 yesterday. Last year, it was the market's best performer by far, moving forward by 60 per cent.

Philips, up 20 cents to Fl 52.40, said it had reached an agreement with Sony, of Japan, for the specifications for what was described as a multisession compact disc, the combination of audio tracks with additional CD-ROM information. The electronics group also announced that it was to build a $10m plant in Poland for the assembly of video recorders and CDs.

MILAN rallied during the last hour and the Comit index finished 0.15 higher at 642.97.

Volume remained low, with shares worth just L600bn traded.

Investors were dismayed that President Oscar Luigi Scalfaro, who was ill, had postponed a second round of consultations with political leaders to try to determine the shape of the next government.

Written and edited by William Cochrane and John Pitt

FT-SE Actuaries Share Indices

Jan 4								THE EUROPEAN SERIES
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	
FT-SE Eurotrack 100	1338.08	1339.25	1338.51	1338.17	1337.42	1337.55	1338.25	1337.95
FT-SE Eurotrack 200	1392.23	1391.35	1392.25	1391.17	1389.64	1390.04	1390.70	1390.66

	Jan 3	Dec 30	Dec 29	Dec 28	Dec 23
FT-SE Eurotrack 100	1332.58	1333.22	1327.46	1346.89	1346.48
FT-SE Eurotrack 200	1386.41	1390.02	1384.97	1408.13	1404.73

Base 1000 (26/10/90); High/day: 100 - 1339.68; 200 - 1393.28 Low/day: 100 - 1336.57 200 - 1388.91 † Partial

ASIA PACIFIC

Dollar's rise against yen fails to lift Nikkei

Tokyo

The Nikkei 225 average finished the first day of trading in 1995 marginally lower as arbitrage unwinding depressed share prices, *writes Emiko Terazono in Tokyo.*

The index closed a half-day session down 39.02 at 19,684.04, after moving between 19,641.22 and 19,724.76. Investors failed to react to the dollar's rise against the yen. The US currency moved above Y101 for the first time since August last year on expectations of higher US interest rates.

The Topix index slipped 5.69 to 1,553.40 and the Nikkei 300 shed 1.02 to 286.15, while declines led rises by 555 to 299, with 242 issues unchanged. In London the ISE/Nikkei 50 index eased 0.16 to 1,287.51.

Volume was 76m shares, against 128m traded in the half-day session of December 30. While most investors remained inactive, traders said the rise in the dollar could prompt overseas investors to start buying Japanese shares.

Brokerage stocks were lower on fears of depressed earnings due to sluggish trading volume – average daily turnover on the Tokyo stock exchange last year was Y335bn, down 1.8 per cent from 1993. Worries over the health of smaller brokers were starting to spread since turnover was far lower than the break-even point for many of them. Among their bigger brethren, Nikko Securities fell Y30 to Y1,100 and Daiwa Securities Y20 to Y1,420.

The dollar's improvement against the yen failed to support export-orientated high-technology stocks: Fujitsu dipped Y10 to Y1,000 and Toshiba Y8 to Y715. Sony, however, gained Y30 at Y5,680 and Pioneer Electronic Y20 at Y2,420.

Individual investors traded speculative favourites. Nippon Paint topped the first section's volume list, rising Y34 to Y718. Sakai Ovex, the synthetic textile maker, fell Y22 to Y730 on profit-taking, while Pacific Metals retreated Y9 to Y539.

Privatisation issues were lower, with Nippon Telegraph and Telephone down Y5,000 to Y876,000 and Japan Tobacco off Y11,000 at Y975,000.

In Osaka, the OSE average lost 77.86 at 21,624.59 in volume of 8.5m shares. Nintendo, the video game maker, rose Y60 to Y5,450, but Ono Pharmaceutical declined Y50 to Y4,740.

Roundup

Big sellers shifted their sights from Hong Kong to markets elsewhere in the region. Taiwan remained closed for the new year holiday.

SEOUL reported heavy selling of blue chips in thin overall trading as the composite index receded 16.56 to 997.01. In spite of the index fall, gainers outscored losers by 415 to 371.

Among the winners, construction shares were in the spotlight on expectations of improved corporate earnings this year. The sub-index added 10.51 points at 616.70 and Woosung Construction went the day's limit up with a rise of Won800 to Won15,800.

KUALA LUMPUR declined 1.2 per cent, the KLSE composite index dipping 11.89 to 957.81 in thin volume of 70m shares. Once again, dealers blamed falls in key blue chip stocks.

ACP Industries sprang to life in the afternoon after a subdued morning session. Following an impressive debut on Tuesday, doubling its IPO price, the construction materials group ended 58 cents or 11.8 per cent stronger at M$5.50 after 2.1m shares traded.

SINGAPORE, which took over as the main Asian trading centre for Jardine Matheson and Jardine Strategic on January 3 (the two delisted from Hong Kong on December 30) saw a better day for the debut stocks with US dollar gains of 55 cents to $7.55 and 12 cents to $3.46 respectively. The Straits Times Industrial index closed 2.11 easier at 2,244.14.

MANILA reacted to Tuesday's drop in Hong Kong, the composite index losing 33.31 or 1.2 per cent at 2,771.97.

KARACHI fell on fears of possible fresh violence in the city, the KSE 100 index receding 12.92 to 2,077.74.

BOMBAY saw profit-taking by small investors as the BSE index fell 27.89 to 3,887.14.

HONG KONG's Hang Seng index recovered a token 42.87 at 7,887.01 after Tuesday's 4.2 per cent drop. Trading was finely balanced between US institutional selling and arbitrage-led futures trading, with local investors bargain hunting. Turnover rose from HK$1.97bn to HK$2.39bn.

Other winners included BANGKOK, with the SET index up 6.58 to 1,360.63 on late buying of blue chips, and JAKARTA, where the JKSE index rose 2.1 to 474.49 ahead of today's 1995/96 budget.

COLOMBO rose due to positive sentiment among domestic investors after Tuesday's peace talks in which the Sri Lankan government and Tamil rebels agreed to cease hostilities.

The CSE all-share index put on 6.74 at 995.17, and turnover rose from Rs32.7m to Rs49.6m, ahead of tomorrow's policy statement by Mrs Chandrika Bandaranaike Kumaratunga, the island's president.

SOUTH AFRICA

Gold shares extended Tuesday's losses as the bullion price slid to $376 an ounce, causing weakness in most sectors. The overall index finished 58 off at 5,779.0, the industrials index was 13.4 lower at 6,961.8 and golds fell 86 or 4.3 per cent to 1,898.9.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

Market	No. of stocks	Dollar terms: Dec. 30 1994	% Change over week	% Change on Dec '93	Local currency terms: Dec. 30 1994	% Change over week	% Change on Dec '93
Latin America	(207)	692.41	-0.6	-9.5			
Argentina	(24)	953.27	-4.0	-23.5	535,006.60	-4.0	-23.9
Brazil	(57)	473.56	+1.6	+66.9	1,500,372,084	+0.9	+1,111.6
Chile	(25)	1,104.71	-0.1	+46.2	1,775.71	-0.9	+36.0
Colombia[1]	(11)	901.70	+5.1	+28.2	1,328.07	+5.8	+31.3
Mexico	(67)	677.82	-2.6	-38.7	1,439.38	+2.7	-3.0
Peru[2]	(11)	182.19	-0.8	+48.3	242.98	+0.3	+50.4
Venezuela[3]	(12)	546.91	+6.8	-14.5	2,135.71	+6.8	+39.0
Asia	(558)	284.55	-0.3	-13.2			
China[4]	(18)	78.23	-1.5	-47.8	83.49	-1.7	-49.3
South Korea[5]	(156)	144.01	+0.4	+18.5	149.25	+0.1	+15.7
Philippines	(19)	316.43	-0.8	-12.1	372.99	+0.2	-20.6
Taiwan, China[6]	(90)	171.32	+4.3	+22.6	169.07	+3.9	+22.3
India[7]	(76)	126.39	+0.1	+6.9	140.84	+0.0	+7.7
Indonesia[8]	(38)	105.10	-0.8	-18.7	125.45	-0.4	-15.0
Malaysia	(104)	308.42	-1.0	-19.9	290.63	-1.4	-24.0
Pakistan[9]	(15)	413.88	+3.4	-4.4	578.33	+3.5	-1.9
Sri Lanka[10]	(5)	175.59	+0.7	-2.1	189.35	+0.7	-2.0
Thailand	(55)	454.67	-0.7	-18.2	453.23	-0.8	-19.4
Euro/Mid East	(125)	154.62	-1.6	-27.1			
Greece	(25)	321.98	+1.4	+3.4	524.64	+0.1	-0.2
Hungary[11]	(5)	160.78	-2.7	-7.7	218.87	-3.7	+3.7
Jordan	(13)	183.50	-1.2	-7.3	271.95	-1.2	-5.0
Poland[12]	(12)	483.97	+2.9	-42.4	742.49	+3.0	-34.5
Portugal	(25)	142.86	+0.5	+9.5	156.32	-1.3	-1.3
Turkey[13]	(40)	157.35	-4.3	-39.6	2,859.85	-2.6	+60.4
Zimbabwe[14]	(5)	258.43	-0.0	+25.8	318.39	-0.2	+46.6
Composite	(890)	356.98	-0.5	-12.2			

Indices are calculated at end-week, and weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are. (1)Feb 1 1991; (2)Dec 31 1993; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1992; (12)Dec 31 1992; (13)Aug 4 1989; (14)July 2 1993.

The IFC's year-end performance table speaks for itself, *writes John Pitt.* The three regional indices all finished in negative ground, with Europe and the Middle East providing the worst return, mainly as a result of sharp declines in Turkey and Poland. But some bright spots can be found, particularly among the smaller markets, with Peru, capitalised at about $6bn, and Zimbabwe, capitalised at some $1bn, scoring strongly.

Looking to pick markets and regions which could do well this year, Baring Securities suggests that a possible end to the tightening of interest rates in the US during the first quarter "might reasonably encourage a return to the major south and east Asian stock markets".

However, the broker adds a note of caution: "These markets are indeed highly sensitive to liquidity, especially US liquidity inflows. However, they are also affected by their own monetary conditions, and we sense that monetary conditions in this region are still some way off bottoming."

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	TUESDAY JANUARY 3 1995: US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	MONDAY JANUARY 2 1995: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX: 52 week High	52 week Low	Year ago (approx)
Australia (68)	169.70	-1.1	161.00	107.64	137.10	146.57	-0.4	3.93	171.64	162.66	108.24	138.31	147.17	189.15	161.21	168.11
Austria (16)	182.07	-0.4	172.73	115.48	147.08	146.98	-0.1	1.10	182.74	173.16	115.25	147.26	147.18	198.89	167.48	187.37
Belgium (35)	166.62	-0.8	158.07	105.68	134.61	131.24	-0.4	4.21	167.90	159.11	105.89	135.30	131.79	177.04	160.76	162.87
Brazil (28)	155.83	-3.5	147.84	98.84	125.89	241.81	-4.0	0.93	161.51	153.06	101.86	130.15	251.81	–	–	–
Canada (103)	128.60	-0.6	122.00	81.56	103.89	130.67	-0.6	2.64	129.39	122.62	81.60	104.27	131.43	145.31	120.54	136.80
Denmark (33)	252.87	0.3	239.90	160.38	204.28	208.88	0.6	1.42	252.02	238.83	158.94	203.08	208.59	275.79	238.81	252.97
Finland (24)	190.85	0.8	181.07	121.06	154.19	190.19	0.9	0.74	189.41	179.50	119.45	152.63	188.40	201.41	123.99	123.99
France (102)	163.21	-0.2	154.84	103.52	131.85	137.17	0.2	3.13	163.55	154.99	103.14	131.79	136.91	185.37	159.34	177.46
Germany (58)	140.91	-0.5	133.89	89.38	113.84	113.84	-0.3	1.83	141.68	134.26	89.35	114.17	114.17	150.40	128.37	140.55
Hong Kong (56)	311.75	-4.4	295.76	197.73	251.85	309.70	-4.4	4.00	326.14	309.07	205.68	262.82	323.96	508.58	305.99	500.99
Ireland (16)	205.81	-0.2	195.25	130.54	166.27	187.54	-0.3	3.40	206.23	195.44	130.06	166.19	188.16	216.90	177.56	185.15
Italy (59)	76.48	2.0	72.56	48.51	61.79	92.56	1.9	1.71	74.96	71.04	47.28	60.41	90.82	97.78	65.87	69.64
Japan (484)	156.05	-0.6	148.05	98.98	126.07	98.98	0.0	0.77	156.94	148.73	98.98	126.47	98.98	170.10	128.93	129.22
Malaysia (97)	477.89	-0.3	453.38	303.11	386.07	469.09	-0.5	1.80	479.37	454.29	302.32	386.30	471.43	621.63	430.71	604.51
Mexico (18)	1265.90	-10.0	1200.96	802.91	1022.66	7370.18	-2.7	1.39	1406.10	1332.51	886.77	1133.07	7571.47	2647.08	1199.49	2386.18
Netherland (19)	216.65	-0.4	205.54	137.41	175.02	172.02	-0.2	3.36	217.59	206.21	137.23	175.35	172.34	223.30	191.28	200.40
New Zealand (14)	70.35	-0.1	66.75	44.62	56.84	58.44	0.0	5.01	70.45	66.77	44.43	56.77	58.44	77.59	62.05	68.22
Norway (23)	211.84	-1.3	200.98	134.36	171.14	194.98	-1.1	1.70	214.65	203.42	135.37	172.97	197.07	214.65	177.53	180.78
Singapore (44)	375.56	0.7	356.30	238.21	303.41	251.47	0.3	1.71	373.04	353.52	235.26	300.61	250.64	401.38	294.66	372.98
South Africa (59)	336.22	-0.1	318.97	213.25	271.61	298.14	-0.6	2.21	336.71	319.08	212.35	271.33	299.89	342.00	205.55	268.43
Spain (38)	132.85	0.5	126.03	84.26	107.32	132.82	0.6	4.37	132.25	125.33	83.40	106.57	131.88	155.79	129.44	140.89
Sweden (48)	234.71	0.6	222.67	148.87	189.61	258.79	0.8	1.51	233.30	221.10	147.14	188.01	256.76	242.81	196.70	198.72
Switzerland (47)	163.46	-1.0	155.08	103.68	132.05	133.01	-0.8	1.84	165.19	156.54	104.18	133.11	134.02	176.56	149.91	162.46
Thailand (46)	156.70	-0.9	148.66	99.39	126.59	152.71	-0.9	2.49	158.16	149.89	99.75	127.46	154.11	–	–	–
United Kingdom (205)	194.55	-0.1	184.57	123.40	157.17	184.57	0.0	4.17	194.83	184.63	122.87	157.00	184.63	214.86	181.11	205.19
USA (513)	187.80	0.0	178.16	119.11	151.71	187.80	0.0	2.95	187.76	177.93	118.41	151.30	187.76	196.04	178.95	189.39
Americas (882)	173.81	-0.2	164.90	110.24	140.42	145.65	-0.1	2.89	174.16	165.05	109.84	140.35	145.80	–	–	–
Europe (723)	168.55	-0.1	159.91	106.91	136.17	150.55	0.1	3.10	168.80	159.97	106.45	136.02	150.48	179.58	160.59	166.67
Nordic (128)	227.56	0.5	215.89	144.33	183.83	213.91	0.7	1.37	226.52	214.67	142.86	182.54	212.48	233.61	190.49	190.49
Pacific Basin (809)	163.07	-0.8	154.70	103.43	131.74	107.66	-0.2	1.13	164.30	155.70	103.62	132.40	107.93	176.86	144.74	144.74
Euro-Pacific (1532)	165.26	-0.5	156.78	104.82	133.50	124.67	-0.1	1.97	166.08	157.39	104.74	133.83	124.83	175.14	155.32	165.55
North America (616)	184.12	0.0	174.68	116.78	148.74	183.85	0.0	2.94	184.14	174.50	116.13	148.38	183.87	192.73	175.67	185.96
Europe Ex. UK (518)	150.91	-0.1	143.17	95.71	121.91	130.35	0.1	2.48	151.13	143.22	95.31	121.79	130.23	168.12	144.12	148.25
Pacific Ex. Japan (325)	233.97	-1.8	221.97	148.40	189.02	205.03	-1.6	3.25	238.23	225.77	150.24	191.98	208.47	296.21	224.17	291.89
World Ex. US (1740)	166.23	-0.6	157.71	105.44	134.29	128.18	-0.2	1.98	167.22	158.47	105.46	134.75	128.43	176.65	157.61	157.60
World Ex. UK (2048)	170.20	-0.4	161.47	107.95	137.50	142.72	-0.1	2.12	170.89	161.95	107.78	137.71	142.90	178.59	164.05	164.05
World Ex. Japan (1769)	182.99	-0.3	173.60	116.06	147.83	174.38	-0.2	2.98	183.54	173.94	115.75	147.90	174.66	195.20	176.34	187.85
The World Index (2253)	172.35	-0.4	163.51	109.31	139.23	148.61	-0.1	2.32	173.01	163.95	109.11	139.41	146.69	180.80	166.19	167.29

Constituent change 4/1/95: Name change. Amalgamated Steel Mills to Amsteel Corp. Berhad (Malaysia). Latest prices were unavailable for this edition. Markets closed 3/1/95: Japan and New Zealand.

عن الأصل